

FINANCIAL TIMES

SBC Warburg

Inside the revolution

Pages 13 and 15

Game for conservation

South Africa's new wildlife reserves

Page 10

After Rabin

What now for Likud?

Page 7

Today's surveys

Portugal Southern France

Separate sections

World Business Newspaper

WEDNESDAY NOVEMBER 8 1995

D8523A

British ministry attacked in Gulf war illness report

A British parliamentary committee attacked the Ministry of Defence's "hopeless" illness among veterans of the 1991 Gulf war, saying it was "appalled" by the ministry's reluctance to investigate the so-called Gulf war syndrome. It drew a sharp contrast between the "compassion" shown by the US government and the "scepticism, defensiveness and general torpor" displayed by the British ministry.

French TV chief faces bribery charges
The head of France's most popular television channel, TF1, was taken into police custody in connection with allegations of bribes linking the channel with the country's national lottery organisation. Police interviewed Patrick Le Lay (left) in his penthouse office at TF1's headquarters just outside Paris, before taking him to a nearby police station. Page 14

US insurer in mining row The US Overseas Private Investment Corporation has tried to terminate \$100m-worth of insurance on one of the world's biggest copper-gold mining projects in Indonesia claiming production had doubled from the agreed level resulting in an unreasonable or major environmental health or safety hazard. Page 14

Baseball teams in \$1.7bn TV deal Competition in the US sports television market has helped major league baseball teams win an unexpectedly large \$1.7bn payment for broadcasting rights with four TV groups over the next five years. Page 15; Editorial Comment, Page 18; Lex, Page 14

Peres continues Palestine plans Israel pressed ahead with the next stage of Palestinian self-rule as acting prime minister Shimon Peres prepared to strengthen his government and crack down on rightwing Jewish extremists. Page 7

US to drop telecoms limits The US will abandon rules which limit the stake foreign companies can hold in domestic telecommunications groups "in five weeks," the Federal Communications Commission said. Page 5

EU lists Japan trade barriers The European Commission presented Tokyo with a list of 184 Japanese trade barriers it would like to see demolished and voiced concern over a recent rise in the EU's trade deficit with Japan. Page 6

Trinidad parties tied Trinidad and Tobago's two main political parties have emerged with 17 seats each from the general election, leaving the smaller National Alliance for Reconstruction as kingmaker. Page 5

Congress debates US debt ceiling The House of Representatives began debate on temporarily extending the \$400bn federal debt ceiling, but may attach "poison pill" conditions that could render it unacceptable to President Bill Clinton. Page 5

Turner Broadcasting System Ted Turner's cable television group, which is finalising a \$7.5bn merger with Time Warner, reported a doubling of net income before one-off charges in the third quarter from \$30m to \$40m. Page 20

British hotels 'better value' Britain's mid-price hotels offer better value than French and German counterparts, but fall behind in the qualification levels of their staff and the amount they spend on refurbishment, the Confederation of British Industry said. Page 8

Japanese bank 'loses' rescue cash Japanese financial regulators' credibility has been dealt another blow with the disclosure of a missing ¥100m (\$865,000) in the Bank of Japan's special loans to Kizu Shinyo Kumai, the Osaka-based credit union which collapsed in August. Page 4

Nippon Steel Japan's largest steel maker, reported first-half profits of ¥29.4bn (\$285m), compared with a loss of ¥39bn in the same period last year, but warned that prospects in the second half remained uncertain. Page 18

Italy to open up gambling The Italian government plans to liberalise betting to allow it to cover all sports - opening up a potentially lucrative market for foreign bookmakers. Page 2

Crédit Agricole France's biggest mutual bank, is to pay nearly £300m (\$385m) to its stake in Banco Ambrosiano Veneto, one of Italy's largest banks, to just over 30 per cent. Page 15

STOCK MARKET INDICES			
New York Composite	4,806.06	(-7.55)	
Dow Jones Ind. Av.	1,947.27	(-14.87)	
NASDAQ Composite	1,047.27	(-14.87)	
Europe and Far East	1,047.27	(-14.87)	
CAC40	2,174.97	(-14.87)	
DAX	2,174.97	(-14.87)	
FT-SE 100	2,174.97	(-14.87)	
Nikkei	15,021.22	(-15.75)	

US LIQUIDITY RATES			
Federal Funds	5.1%		
3-month T-bill	5.25%		
Libor 3M	10.7		
Yield	5.30%		

OTHER RATES			
UK 3-month interbank	6.1%	(6.1%)	
US 10 y. Gov. Bond	104.25	(104.25)	
France 10 y. Gov. Bond	100.7	(100.7)	
Japan 10 y. Gov. Bond	113.046	(113.116)	

NORTH SEA OIL (August)			
Brent 15-day (Dec.)	\$16.47	(16.48)	
Tokyo \$ close	¥183.85		

Currencies			
Australia	1.5400	1.5400	
Belgium	36.3600	36.3600	
Denmark	136.4800	136.4800	
France	166.6300	166.6300	
Germany	1.9360	1.9360	
Italy	1.9360	1.9360	
Japan	163.6000	163.6000	
Netherlands	2.2037	2.2037	
Spain	166.6300	166.6300	
Sweden	136.4800	136.4800	
Switzerland	1.9360	1.9360	
UK	1.9360	1.9360	
US	1.9360	1.9360	

S Korean business chiefs face bribery questioning

By John Burton in Seoul

South Korean prosecutors will today summon some of the country's most prominent businessmen as investigations widen into allegations that big industrial groups bribed former President Roh Tae-woo for government contracts.

Among those to be questioned are the leaders of the country's largest conglomerates. They include Mr Lee Kun-hee, chairman of Samsung; Mr Chung Ju-yung, founder of Hyundai; Mr Koo Cha-kyung, honorary chairman of the LG group; and Mr Choi Won-suk, chairman of

Probe into claims of government contracts-for-cash widens

The Dong-ah construction group. The development took analysts by surprise since prosecutors earlier indicated they would limit their investigation mainly to medium-sized chaebol (industrial conglomerates).

Government officials and business executives have expressed fears that an extensive investigation into the chaebol's links with the Roh administration would harm economic growth.

The Federation of Korean Industries warned yesterday that

industrial growth could slow this month because the inquiry might discourage corporate lending by banks and other financial institutions. This is likely to result in growing bankruptcies among cash-poor small companies.

Prosecutors explained the main business leaders were being questioned to assure a sceptical public their investigation was being thorough in exposing possible corporate payments. Business leaders will be asked whether their political contributions to Mr

Roh's \$650m slush fund were actually bribes to win large construction and defence contracts from the government during the president's 1988-93 term.

Other business leaders to be summoned shortly include the heads of the Daewoo, Lotte, Hanil and Dongbu groups, which are also among the top 30 industrial conglomerates.

The whereabouts of the former chairman of the HanYang group are unknown. He is wanted for questioning about alleged bribes

involving his purchase of a Seoul building from the ruling party. Most of the groups under investigation are involved in the construction industry, while Hyundai, Daewoo and Samsung are also big defence contractors.

Samsung's chairman yesterday failed to attend the roll-out of the first F-16 combat aircraft to be assembled by Samsung Aerospace. The project has been the subject of bribery allegations.

Mr Chung Jin-ho, chairman of the Jinro beverage group, was

questioned yesterday by prosecutors about allegations that he bribed Mr Roh to win a licence for a joint-venture beer company with Coors, the US brewer. Meanwhile, opposition political parties are demanding prosecutors seek information about the ruling party's 1992 presidential election funds, to determine whether President Kim Young-sam's campaign was secretly financed by Mr Roh's fund.

Mr Kim has denied he personally received money from his predecessor and former political ally. The ruling party has said it will disclose its campaign fund sources if asked by prosecutors.

Number of ministers is cut ■ Paris markets welcome surprise move

Juppé reshuffles French cabinet to boost reforms bid

By John Ridding, David Buchan and Andrew Jack in Paris

Mr Alain Juppé, the French prime minister, yesterday unveiled a surprise reshuffle of his embattled government aimed at reversing a sharp decline in popularity and strengthening his hand in implementing social and economic reforms.

The move, only six months after Mr Jacques Chirac won the French presidency and appointed Mr Juppé, creates a smaller team with a broader base among the centre-right with which to confront the tasks of deficit reduction and welfare reform.

Most senior portfolios, including finance, foreign affairs, defence and the interior ministry were unchanged. But the reshuffle cut the total number of ministers and secretaries of state from 42 to 32 and introduced or promoted several supporters of Mr Edouard Balladur, the previous Gaullist premier and Mr Chirac's presidential rival.

Financial markets welcomed the move as evidence of the government's shift towards increased fiscal rigour. The franc gained more than a centime

against the D-Mark to close at about FF3.45, although it slipped slightly after the new cabinet was unveiled. The CAC 40 index of leading shares gained 1.9 per cent to close at 1,857.

Mr Juppé claimed his new smaller cabinet would be "more homogenous and better welded together" and it would aim at reducing the country's "debts and deficits, thereby making possible lower interest rates".

Mr Lionel Jospin, leader of the opposition Socialist party, said the reshuffle demonstrated "a profound political weakness", noting that it marked the end of the shortest-lived administration of the Fifth Republic. Mr Laurent Fabius, leader of the Socialists in the National Assembly, described it as "an incontestable admission of failure".

A series of policy reversals, failure to make rapid progress in cutting unemployment, opposition to the resumption of nuclear testing, and a sense of drift in the conservative administration have prompted a sharp fall in popularity for Mr Chirac and Mr Juppé.

A Louis Harris poll released yesterday gave the Gaullist leaders an approval rating of 35 per

cent and 31 per cent respectively, confirming a decline in popularity faster than any of their Fifth Republic predecessors.

Yesterday's reshuffle followed last month's backing by Mr Chirac for deficit reduction measures and two years of economic austerity. It is aimed at restoring confidence in the government's policies, clearing the way for a cut in interest rates needed to stimulate the slowing economy.

Mr Juppé is next week due to announce ambitious welfare reforms aimed at eliminating annual deficits of FF60bn (\$12.32bn), allowing France to qualify for European monetary union. The proposals have drawn opposition from trade unions and exacerbated divisions within the conservative parliamentary majority.

Mr Juppé adjusted the balance of his government to ease tensions between the Gaullist RPR and the UDF, its centre-right partner. However, some of his leading backbenchers felt he did not go far enough.

French cabinet gets back on to Balladur track, Page 3; Editorial comment, Page 13; Lex, Page 14



Alain Juppé leaves the Elysée palace after presenting a list of the new cabinet to president Jacques Chirac. Photograph: Reuters

Bayer to seek Agfa flotation in two years

By Jenny Luesby in Leverkusen

Bayer, the German chemicals company, is hoping to float Agfa within two years after failing to find a buyer for the troubled film business.

Mr Manfred Schneider, Bayer chairman, also warned Germany stood "no chance" unless it changed economic and social policy. "Under the current conditions, I would not engage one new employee in Germany," he said.

Agfa has long been Bayer's biggest problem, and profits have been low for many years. Last year, it made an operating profit of only DM221m (\$156m) on sales of DM6.6bn.

Mr Schneider said earnings had been unsatisfactory at Agfa, but a restructuring had begun which, it was hoped, might lift profitability sufficiently to allow a public offering within two years.

He said Agfa was too big for venture capitalists or a management buy-out. Any sale to Fuji or Kodak, Agfa's two biggest rivals, would have run into competition problems, while Agfa's European production base made it unappealing to others.

Announcing third-quarter results that confirmed a slow-down in European demand, Mr Schneider said the group was

Continued on Page 14
Surge in demand behind 43.8% advance at Bayer, Page 16

German growth 'to slow' as investment weakens

By Peter Norman in Bonn

Weak business investment will condemn Germany to slower growth and rising unemployment next year, according to a survey of 25,000 companies in both the western and eastern parts of the country.

The DIHT, the Bonn-based umbrella organisation for Germany's chambers of industry and commerce, said yesterday that its latest half-yearly survey of companies in industry, construction and services had uncovered growing scepticism and uncertainty about economic prospects.

Mr Franz Schoser, the DIHT's chief executive, said the survey did not point to a recession next year. However, the chambers expect growth to slow to 2 per cent in 1996 from 2.5 per cent forecast by the government for 1995. Although export growth would continue to support activity, it would slow, largely as a result of the D-Mark's strength.

The poll, which covered companies employing about half the labour force, is the most comprehensive of any carried out on a regular basis in Germany. It had a bleak message for the 3.55m unemployed.

It reported a sharp increase in the number of businesses planning to reduce staff, with the share of companies planning to

Shops to open for longer

The German government has agreed to allow shops to open until 8pm on weekdays and 4pm on Saturdays, marking a victory for consumers frustrated by the country's restrictive hours.

Mr Günter Rexrodt, the economics minister, described the move as a "major demonstration".

Report and Lex, Page 14
Bonn heads mood, Page 2
Editorial comment, Page 13

employment in the next 12 months exceeding the number planning to take on staff by 23 percentage points. This compared with "negative employment balances" of 12 per cent in February and 16 per cent a year ago.

Germany already has a serious unemployment problem. Figures yesterday from the federal labour office showed the jobless total increased by 4,800 last month to 3,526,500, and was 78,500 higher than at the end of last October. However, Germany's unemployment rates stayed unchanged. The all-German jobless rate was 9.2 per cent of the labour force at the end of last month, with unemployment in western Germany at 8.1 per cent and in eastern Germany at 13.8 per cent.

Unemployment rose last month on a seasonally adjusted basis for the third month in succession. However, the rise of 4,000 was lower than the 44,000 increase

OMEGA

Omega Seamaster.
Ladies' watch in 18 k gold with diamond-set bezel.
Water-resistant to 120 m/400 ft.
Swiss made since 1848.

OMEGA
The sign of excellence

NEWS: EUROPE

EU to prolong state aid for shipyards

By Emma Tucker in Brussels and Charles Batchelor in London

European Union industry ministers voted yesterday to prolong until October next year a special regime that allows state aid to be paid to EU shipbuilders.

In spite of protests from Germany, Sweden and the UK, who want subsidies to the sector to be phased out as soon as possible, the ministers decided to delay ratification and implementation of last year's inter-

national accord to end shipbuilding subsidies until the other main signatories to the pact - the US, Japan and South Korea - have fulfilled their side of the bargain.

At the meeting in Brussels, the ministers said they would outlaw EU subsidies as soon as the other parties to the agreement - negotiated within the Organisation for Economic Co-operation and Development in 1983-84 - had ratified. If not, they would reconsider the matter in June next year, ahead of the October dead-

line. "We want to eliminate ship subsidies so long as our partners do the same," said Mr Karel Van Miert, the EU's competition commissioner.

The current EU regime on shipbuilding allows governments to award shipyards up to 9 per cent of a contract value. This will have to be re-examined for next year. The level of subsidy may be reduced, but it cannot go back above 9 per cent. UK shipbuilding sources said they were disappointed at the failure to end the arrangement allowing shipbuilding

subsidies because this would allow countries which paid hidden subsidies above the agreed levels to continue to give an unfair advantage to their industries.

UK shipbuilders believe that countries such as Italy and Spain pay additional subsidies in the form of regional aid or assistance to areas with high unemployment.

The US, too, where naval yards are searching for commercial orders to replace those lost in the wake of the ending of the cold war, has a reputa-

tion for providing generous subsidies, they said. UK shipbuilders said they were not surprised that some countries had been dragging their feet in ratifying the accord reached last year to end state assistance.

The UK Department of Trade and Industry said it had hoped to limit the extension of the subsidy regime to between four and six months, but pressure for a longer extension from other countries had prevailed. There was no indication last night that the UK would unilaterally end subsidies.

Italy to move into Mafia's gambling rackets

By Robert Graham in Rome

The government of prime minister Lamberto Dini yesterday decided to liberalise betting in Italy and allow it to cover all sports.

The move, if approved by parliament, will also open up a potentially lucrative market for foreign bookmakers.

The decision is intended to make inroads into the illegal gambling business, reckoned by finance ministry officials to be worth £3,000bn (\$1.8bn) a year. This business is more than 90 per cent in the hands of organised crime, especially the Neapolitan Camorra and the Sicilian Mafia.

The liberalisation proposal has been added to the 1996 budget now before parliament.

It forms part of a package of measures intended to boost government revenues by £2,500bn, mainly through increased resort to lotteries. However, the government yesterday indicated that it opposed expanding the number of casinos because of the threat posed by them being taken over by organised crime.

Last week the Senate decided that every Italian region would be allowed to possess a casino compared with the three currently permitted in the country.

Until now betting has only been allowed on horse races through a state-run tote system and in the form of two state-controlled football pools. Combined with lotteries, the turnover of this legitimate gambling is believed to be about £12,000bn a year.

The restrictive laws have allowed illegal betting organisations to thrive, but ministers said they would now play the rackets at their own game and legalise gambling across a wide range of sports fixtures.

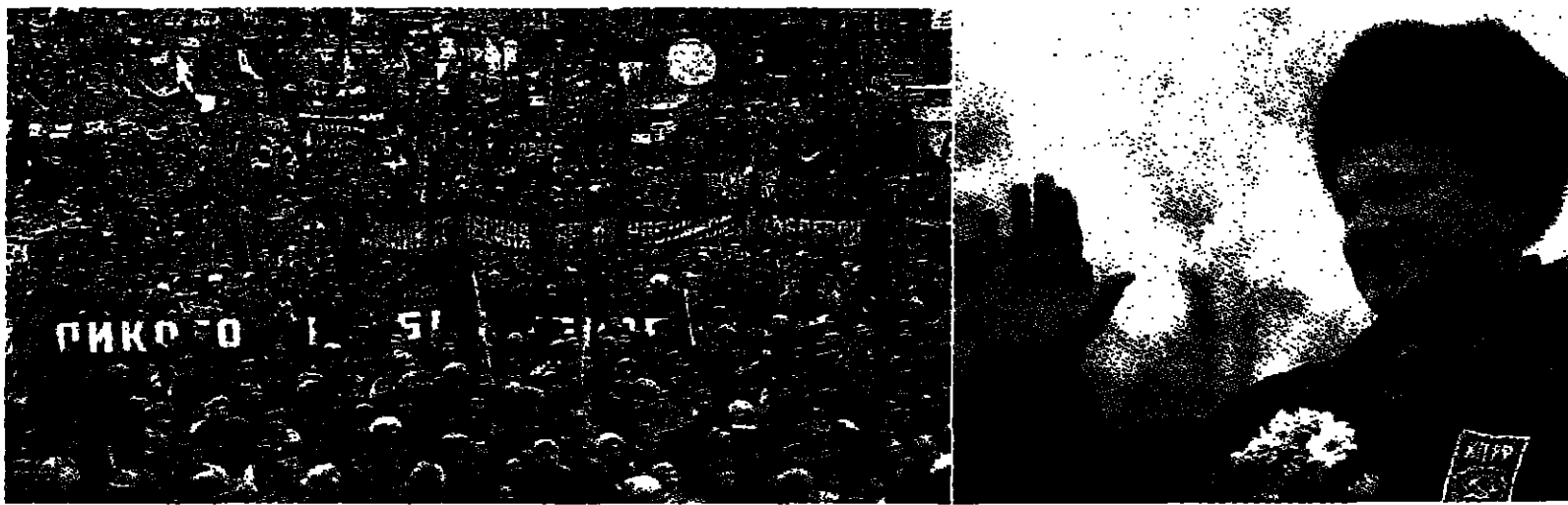
The new legislation envisages creating bookmaking companies operating under the aegis of Coni, Italy's national sports federation. All sports approved by Coni on Italian soil are covered, but not international events or non-sporting events such as bets on election results.

The bookmakers will be able to compete with the existing racing tote and with the state administered football pools.

The new operators would be obliged to hand over 5 per cent of their take to the government. Since the existing football pools are obliged to give the treasury 33 per cent of their receipts, this percentage might be lowered. That would mean the overall receipts from betting will not increase substantially.

"We are primarily aiming to pick-up a part of that gambling business which is at present illegal and in the hands of organised crime," a finance ministry official said.

Russian communists hail Lenin, Stalin and Zyuganov



Russia's communists, who head polls for next month's election, mark the 1917 Bolshevik Revolution with a march in Moscow yesterday past leader Gennady Zyuganov

Waigel spells out plan for Emu stability

By Peter Norman in Bonn

Mr Theo Waigel, the German finance minister, yesterday said the countries that eventually join the planned European economic and monetary union (Emu) should set up a "stability council" to discuss and agree the co-ordination of national fiscal policies.

Spelling out for the first time details of German proposals for a "European stability pact", Mr Waigel said that Emu members should aim "over the medium term" to limit their annual budget deficits in normal times to 1 per cent of GDP. Countries with a high initial level of indebtedness should undercut this target.

The minister said the 3 per cent deficit ceiling, which is one of the Maastricht treaty criteria for joining Emu, should not be exceeded by countries even in times of economic difficulty.

Countries would only be exempted from these rules "in extremely exceptional cases" such as natural catastrophes, and then only with the agreement of other Emu members.

Countries joining Emu should also accept more precise and detailed sanctions than those at present in the Maastricht treaty to deter excessive deficits.

Mr Waigel said the pact would reassure financial markets and add to the solidity and credibility of Emu. His proposals emerged yesterday during the first of four days of debate in the Bundestag over the 1996 federal budget.

He first mooted the idea of additional measures to secure budget discipline in the third and final stage of Emu two months ago but disclosed few details at the time because the issue was a matter for negotiation among European Union member states.

He broke his silence yesterday in response to growing reservations about Emu in the opposition Social Democratic party (SPD).

The SPD plans to debate proposals of their own for a future European stability pact at the party's annual congress in Mannheim next week.

Mr Waigel also launched a bitter attack on SPD politicians who have recently criticised Emu and the Maastricht treaty, pointing out that they had failed to register their opposition when the treaty was ratified in both houses of the German parliament in 1992.

Referring to the SPD chancellors of the 1970s, he said the party was "no longer the SPD of those great Europeans, Willy Brandt and Helmut Schmidt".

In the debate, Mr Waigel called on the German federal states to forge a "national stability pact" with the Bonn government to guarantee that Germany would meet the Maastricht criteria.

The federal government deficit is due to rise next year to DM60bn (\$43.1bn) from around DM49bn this year, but Mr Waigel said Germany would still meet the Maastricht criteria on deficit and debt.

Bonn heeds mood on shopping hours

It has been a long time coming and the result is not all it might have been. But the agreement reached yesterday by the German governing coalition on shopping hours shows that politicians, headed by Chancellor Helmut Kohl, knew much of the world was watching progress on the issue. It was seen as a sign of how far current rhetoric on the need for economic flexibility, competitiveness and risk-taking would be translated into action.

Opinion polls show more and more Germans want the freedom to shop longer. Many have visited the US and other countries where restrictions hardly exist. Their frustration was expressed yesterday by a television presenter who complained she had to rush to the shops just before 6.30 at the end of a busy day.

Under the new agreement, shops will be allowed to stay open until 8pm on weekdays and 4pm on Saturdays (although states will be able to change Saturday closures by two hours either way). At present, they must close at 6.30pm on weekdays (with longer Thursday opening until 8.30pm) and 2pm on Saturdays (with longer opening on the first Saturday of each month).

While yesterday's decision, expected to become law in the second half of next year, is a long way short of what the Ifo economic research institute recommended to the government, which had appointed it to study the issue. Ifo wanted shops to be able to stay open until 10pm on weekdays and 8pm on Saturdays. (Sunday opening has not been under discussion.) It said the result

World has been watching to see words put into action, writes Andrew Fisher

would be to add 2 to 3 per cent, or DM20bn (\$14bn), to total retail turnover over two to three years. This would create an extra 50,000 jobs, many of which would be part-time; the equivalent in full-time jobs would be around 30,000, or 1 per cent of the 3m now employed in the sector.

Yesterday, Mr Uwe Täger, a retail economist at Ifo, welcomed the agreement, calling it a "regulated liberalisation" which would help go-ahead retailers and strengthen competition. He was surprised the coalition had acted so quickly after Ifo's report in August and expected further relaxation in coming years after the latest breakthrough.

The retail industry has operated under the *Ladenschlussgesetz* (shop closing hours law) since 1968. Many big and small retailers will be sorry to see it go. Some fear more relaxed hours will mean more work, costs and competition. Many local retailers dislike the thought of all three, although Ifo says innovative small businesses, such as convenience shops, stand to benefit.

Big inner-city stores, such as those of Karstadt and Kaufhof, should also gain, though not all of their more outlying branches will profit. Having previously rejected any change

in the law, department store groups have come round to the idea. Even so, Ifo noted that supporters of longer hours had been less willing to state their views than their opponents.

Since legal closing hours are written into pay contracts, which run until the end of 1996, the unions can still wield plenty of influence. Also, shop assistants are paid 55 per cent more for the two extra Thursday hours. Retailers will fight hard not to have to extend this throughout the week.

Union resistance to any change was made clear yesterday when the retail, banking and insurance union (HBV) condemned the coalition deal as anti-employee and anti-Mittelstand (small- and medium-sized business). So did the largest retail association (HDE), which said most consumers would not benefit either. The HBV plans to mobilise its members to fight any change.

This could delay implementation of the new hours, even when the law changes. Until unions and employers agree a new one, the present pay contract will stay in effect. Thus Mr Joachim Bernsdorf, retail analyst at Sal. Oppenheim, the German private bank, does not expect longer hours to become common until 1997. He also thinks the change does not go far enough. "Small, innovative outlets would have benefited from being allowed to open until 10pm. This would have been their big chance."

Mr Täger, however, expected dynamic smaller retailers to try to push for even longer opening hours, now Germany had started down the liberalisation road. "Entrepreneurs can show their strength," he said.

See Lex, page 13

Nuclear plant to be leisure park

By Judy Dempsey in Berlin

When Chancellor Helmut Kohl made a speech in late 1993 extolling the virtues of Germany as a *Standort*, or indus-

trial location, he warned that unless the Germans adopted more flexible working hours and stopped demanding more free time, the country would become a giant leisure park.

Alas, little did Mr Kohl realise that almost two years since delivering that speech, a big leisure park is to be built on the site of a fast-breeder nuclear reactor plant.

During the next five years the plant at Kalkar, a small town near the Dutch border and flanked by the River Rhine in the state of North Rhine-Westphalia, will undergo an extraordinary metamorphosis.

Buildings which once housed sophisticated scientific equipment will be turned into hotel rooms. Land once laced with electricity wires and pipes will become children's playgrounds. Storage sheds and administrative offices will be turned into sports facilities.

It is a bizarre fate for a plant agreed in 1973 in a rare gesture of consensus by the political parties and trade unions. RWE, Germany's largest utility group, was responsible for the plant along with SBK, its subsidiary.

Financing and construction costs amounted to DM8bn (\$5.7bn): the state and federal government put up DM4bn of taxpayers' money; the Belgian and Dutch governments as potential users each contributed DM1bn; the electricity companies DME and those producing the energy paid DM400m.

As construction proceeded,

the razzmatazz soon wore off. Public opinion started moving against nuclear power, especially after the Chernobyl accident in 1986, while the government of North Rhine-Westphalia became anti-nuclear as well.

The future of Kalkar was

'We did some tests. But we never did commission it. You can say the taxpayers' money has gone down the drain'

passed from local, to state, to federal level and back again. No one was prepared to take responsibility for its future. The plant, built at vast public expense, was never commissioned.

"We did some tests. But we never commissioned it," said Mr Werner Koop, a SBK board member. "The time spent waiting for someone to make a decision about its future cost a lot of money. In fact, you can say more than DM7bn of taxpayers' money has gone down the drain."

Saddled with a redundant

size of 300,000 square metres, the local authorities at Kalkar and RWE earlier this year advertised the sale of the plant in local and foreign newspapers.

"We wanted someone to come up with a viable plan. There were 70 replies. The Dutchman had the best plan," said Mr Koop.

Mr Benny van der Most, the 45-year-old Dutchman whose hobby and business is giving life to obsolete textile and steel factories by turning the grounds into entertainment or leisure parks, hopes to start work on Kalkar early next year.

"He will invest DM40m and employ between three and four hundred people over the next few years," said Ms Claudia Wehnes, spokeswoman for Mr van der Most.

Like SBK, Ms Wehnes declined to give the purchase price. But when asked why Mr van der Most had bought the site, she replied: "He believes there is life after death for these old enterprises. He loves creating leisure parks."

Mr Koop is more than relieved. "An acceptable solution has been found for Kalkar. After all, people have much more free time now. They are only working about four days a week. They need entertainment," Mr Koop said.

EUROPEAN NEWS DIGEST

UK blocks aid for Irish steel

The British government yesterday blocked the sale of Ireland's only steel company by refusing to endorse a state aid plan that would allow the Irish government to conclude a deal with the Indian bidder, Ispat International. Although both the UK and Ireland reported "progress", they will have to return to the negotiating table.

The Irish government wants to grant Irish Steel, situated in County Cork, £22m of state aid so that the sale can go ahead. However, both the British and Luxembourg delegations say the aid is unfair and will harm other steel producers in the EU. Mr Tim Eggar, the UK industry minister, said he was not confident a deal could be reached over the next few weeks.

The negotiations took place at an industry ministers meeting in Brussels. Under the EU's steel code, all decisions on steel have to be agreed unanimously. The Commission had recommended that the aid to Irish steel should be granted. Steel production in Ireland accounts for less than 5 per cent of EU production, but producers in the UK and Luxembourg fear the aid will allow Irish steel to increase production in the sensitive sector of construction steel. Emma Tucker, Brussels

UN fears fresh Croat offensive

Croatia could retake eastern Slavonia, the last bit of Serb-held land in Croatia, in a 48-hour blitzkrieg, United Nations military officials said yesterday. Fearing their final push in Croatia, local Serb leaders this week rejected the latest international proposal for a period of transitional rule before the region came under direct rule by Zagreb.

Diplomats fear an impatient Croatia may try to take the region by force before the UN mandate expires at the end of this month.

A worrying sign, said the UN official, was that the Croatian army on Monday had moved 15 ambulances from Zagreb to set up a field hospital in Osijek, the regional capital of eastern Slavonia.

He said the Croatian army would crush the rebel Serbs within two days, assuming Belgrade remained above the fray rather than risk air strikes from Nato or undo any movement towards the lifting of sanctions. Laura Silber, Belgrade

Walesa wins electoral support

President Lech Walesa, who will face Mr Aleksander Kwasniewski, leader of the former communist Left Democratic Alliance, in the final round of Poland's presidential election on November 19, has won the support of the Freedom Union, the largest opposition party in parliament. The Freedom Union is led by Mr Leszek Balcerowicz, who was responsible for introducing free market reforms in Poland in 1990.

Final first round results from Poland's 49 provinces showed Mr Walesa winning 38 per cent of the vote, slightly behind Mr Kwasniewski who won 35 per cent.

Mr Jacek Kuron, a former Labour minister and the Freedom Union's presidential candidate, won 9 per cent while Ms Hanna Gronkiewicz-Waltz, the head of the central bank, received 2.8 per cent. Christopher Bobinski, Warsaw

EPP takes federalist line

German chancellor Helmut Kohl's ambitions of creating a Europe-wide political movement moved a step forward yesterday at the end of a three-day conference of the European People's Party, the main grouping of Christian Democrat and conservative parties in the European Parliament.

Despite divergences among members, the meeting approved a strongly federalist document on the approach to the European Union's 1996 inter-governmental conference. Calling for an end to the principle of unanimity on foreign and defence issues, the document flies in the face of UK Conservative party policies. Tory Euro-MPs belong to the 30-party EPP on an individual basis, although the party itself does not. The EPP's document also raised the possibility of a European tax to replace existing sources of EU revenue.

However, a suggestion that the 1996 conference should go "substantially beyond" the mandate set out in the Maastricht treaty was dropped in the final version of the document. David White, Madrid

Big packaging merger approved

The European Commission is expected to approve a \$5.2bn packaging merger between CarnaudMetalbox of France and Crown Cork & Seal of the US next week. The deal will create the world's largest packaging company with combined sales of \$10bn, and is the biggest merger ever to come before the European Commission.

Approval will be granted on condition that the two companies sell five European Union aerosol production units, representing a significant chunk of the EU aerosol market. The two companies have agreed to this. Other initial objections from the Commission's competition authorities have been resolved. These included fears that the merged companies would dominate the market for food cans and would be so powerful it would be able to force down the price for steel tin plate. Emma Tucker, Brussels

Kinnock's 'recipe for paralysis'

Plans by Mr Neil Kinnock, the European transport commissioner, for the EU to negotiate aviation deals with the US on behalf of all member countries were dismissed yesterday as a recipe for paralysis by Mr Robert Crandall, chairman of American Airlines.

Mr Crandall told the British-American Chamber of Commerce in London: "I think that Mr Kinnock's desire to negotiate between the EU on the one hand and the US on the other is absolutely the best prescription (to ensure) that there will be no change in my lifetime."

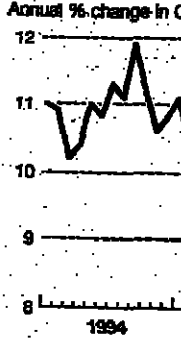
Mr Crandall said talk of increasing air competition by the EU and member countries was not borne out in practice. He said airlines had had to take legal action in the French and European courts to win the right to provide new services at JET airport. Michael Shapiro, Aerospace Correspondent

ECONOMIC WATCH

Greek inflation declines again

Greek inflation

Annual % change in CPI



Source: Datastream

However, the government still expects to achieve its year-end inflation target of 7.9 per cent.

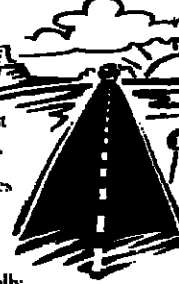
The statistical service also reported a 1.8 per cent rise in manufacturing output for the January-August period. Manufacturing output jumped by 5.4 per cent in August, the sharpest monthly rise for more than 15 years. Food-processing and textile manufacturing, Greece's leading industries, contributed most to the increase. Kerin Hope, Athens

Denmark's seasonally adjusted unemployment reached 8.8 per cent in September compared with a revised 10.2 per cent in August and 11.7 per cent in September 1994, the National Statistics Office said.

Industrial output in Slovakia rose 13.2 per cent in real terms over September 1994, the Slovak Statistical Bureau said.

AFTER OUR ADVICE MOST PEOPLE GO ON TO BETTER THINGS

The Emerging Companies Team provides specialist corporate finance advice that enables growing companies to develop successfully.



For focused advice that can place your business on the road to success call Patrick Wilson on 0171 375 5000.

NatWest Markets Corporate Finance Limited. A member of the SFA.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, 1, Boulevard de la Presse, 1000 Brussels, Belgium. Telephone: +32 (0) 2 512 2000. Fax: +32 (0) 2 512 2001. Telex: 310000. Registered in Belgium. Number One Southwark Bridge, London SE1 9HL. GERMANY: Responsible for Advertising: Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. GERMANY: Responsible for Advertising: Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. FRANCE: Publishing Director: D. Good, 168 rue de Rivoli, F-75004 Paris Cedex 01. Telephone: (01) 4297 0621. Fax: (01) 4297 0629. Printer: S.A. Nord Eclair, 1521 rue de Caen, F-93100 Rosny-sous-Bois. Editor: Richard Lambert, ISSN 1145-2733. Commission Paritaire No 6780BD. SWEDEN: Responsible Publisher: Hugh Carnegie 468 618 6088. Printer: AB Kvalitetstryckeriet Expressen, PO Box 6007, S-550 06, Jönköping. © The Financial Times Limited 1995. Editor: Richard Lambert. © The Financial Times Limited. Number One Southwark Bridge, London SE1 9HL.

Building which once housed sophisticated scientific equipment will be turned into hotel rooms. Land once laced with electricity wires and pipes will become children's playgrounds. Storage sheds and administrative offices will be turned into sports facilities. It is a bizarre fate for a plant agreed in 1973 in a rare gesture of consensus by the political parties and trade unions. RWE, Germany's largest utility group, was responsible for the plant along with SBK, its subsidiary. Financing and construction costs amounted to DM8bn (\$5.7bn): the state and federal government put up DM4bn of taxpayers' money; the Belgian and Dutch governments as potential users each contributed DM1bn; the electricity companies DME and those producing the energy paid DM400m. As construction proceeded,

'We did some tests. But we never did commission it. You can say the taxpayers' money has gone down the drain'

Saddled with a redundant

Handwritten signature or mark at the bottom of the page.

French cabinet gets back on to Balladur track

By David Buchanan in Paris

Yesterday's surprise government reshuffle completes President Jacques Chirac's return to the policies of Mr Edouard Balladur, the former prime minister and his rival for the presidency.

First came Mr Chirac's public conversion to "Balladurism" when, in an October 26 television interview, he adopted as his top priority the reduction of France's public deficits espoused by his erstwhile Gaullist rival. Less than two weeks later, he has let his prime minister, Mr Alain Juppé, cement the change by bringing several middle-ranking Balladurians into a government with far fewer ministers whose junior ranks are pruned of dead wood.

The reshuffle is designed, say Mr Juppé's officials, to make the government "more operational and more representative of its parliamentary majority". It is widely accepted that Mr Juppé, whose popularity has fallen at record speed over his six months in office, needs to give his government fresh sparkle if he is to carry through the difficult deficit-cutting necessary to ready France for EU monetary union.

But it is also Mr Juppé's admission that the pool of talent in his centrist majority is not so large that he can afford any longer to do without some of the experienced ministers who made the mistake of backing the wrong Gaullist horse last spring.

While the main political aim of the reshuffle is to heal the breach with the Balladur camp

Reshuffle deals tough hand to Barrot

The reshuffle has dealt one of the more important and toughest hands to Mr Jacques Barrot, the labour minister, whose portfolio has expanded to cover health and pensions in a broad ministry for social affairs, write John Ridding and Andrew Jack in Paris.

Planned measures to cut the deficit-ridden social security system are at the heart of the country's attempt to restore its public finances and qualify for European monetary union. But reforms to be announced next week in the National Assembly have already run into union opposition.

Mr Barrot's new mission was predictable. He has played an increasingly prominent role in France's welfare debate, revealing himself as an advocate of reform and a strong supporter of Mr Alain Juppé's goal to eliminate the FF60bn (£7.8bn) deficit by

1997. His previous experience will help. A member of the UDF, centre-right junior partner in the conservative coalition, the 58-year-old Mr Barrot was health and social security minister between 1979 and 1981. As president of the National Assembly's finance committee after 1993, he is also familiar with the parliamentary tussles which lie ahead.

Mr Dominique Perben, former overseas territories minister, takes over the delicate civil service dossier from Mr Jean Fruch, who had struggled in the face of restive public sector workers protesting against a pay freeze. Mr Alain Lamassouze, ex-minister for European affairs, takes over the budget portfolio from Mr François d'Aubert, while Mr Jean-Claude Gaudin, the mayor of Marseilles takes over

territorial development, towns and integration.

For many of the cabinet heavyweights the upheaval wrought no change. The finance, foreign affairs, defence, justice and interior ministries all remained in the same hands. Mr Jean-Louis Debré, who had been regarded as vulnerable at the interior ministry, has buttressed his position over recent weeks as a result of breakthroughs in the battle against terrorism.

There were, however, several significant shifts. At industry, Mr Yves Galland makes way for Mr Franck Borotra, a Gaullist deputy thought close to Mr Philippe Séguin, the National Assembly president and an advocate of nationalist economic policies. Mr Borotra will also cover telecommunications, one of the most delicate dossiers given union opposition to

reform of the company's statutes.

Mr Galland becomes junior finance minister, with responsibility for foreign trade. Mr François Fillon, the minister for information technology who has been criticised for his handling of reforms and management changes at France Télécom, becomes junior minister for post, telephony and space.

Mrs Elisabeth Hubert lost her position as health minister, reflecting the reorganisation of the social security portfolio and criticism of her handling of sensitive reforms. Mrs Colette Codaccioni, minister for the curiously named "solidarity between generations" also lost her post in the upheaval. She was one of several other women ministers, dubbed the Juppéettes, to lose her post.

prime minister himself seemed to be in danger of losing his job over his own peculiar housing arrangements. In fact, however, Mr Chirac was never likely to drop so early on a prime minister who succeeded him as head of the RPR Gaullist party on October 15. The president seemed to quell rumours of a ministerial reshuffle on October 26 when he declared any such changes as premature.

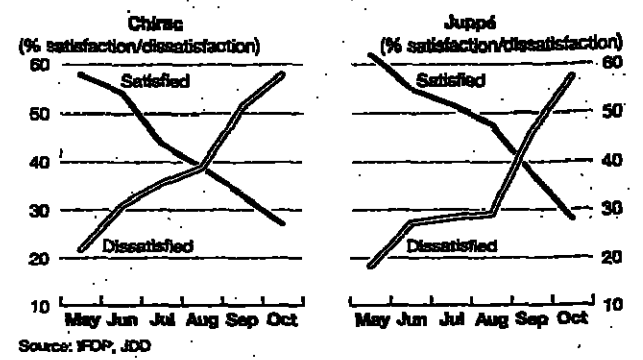
Ironically, it was the success of that television interview, and the favourable reaction it received from the all quarters

the Bank of France, Mr Balladur himself and the financial markets - which appears to have persuaded the president to give in to Mr Juppé's pleading for personnel changes to reinforce the policy shift.

The main architecture of the old government survives in the new. This is because, despite Mr Juppé's desire to shape his new government more to his own liking, he could not ignore the president's insistence on keeping the basic balance of the coalition that won him the

presidency. Thus, Mr Hervé de Charette and Mr Charles Millon stay on as, respectively, foreign and defence ministers, less because of their performance in those roles and more because of their closeness to Mr Valéry Giscard d'Estaing, UDF leader and an election

How the electorate's mood has changed



ally against Mr Balladur.

Likewise, Mr Francis Fillon's mishandling of France Télécom liberalisation has earned him demotion to being a junior minister for telecommunications but he survives because he is an ally of Mr Philippe Séguin, the pro-Chirac national assembly president.

Mr Jean-Louis Debré and Mr Bernard Foss, stay on as interior and transport ministers, respectively, simply because they are Chirac stalwarts.

But Mr Juppé has now got most of the "tighter" team he wanted, and which he was initially denied last May by the president's desire to create as many jobs as possible for his supporters. This "Juppé Two" team will have to go straight into action, taking up where

the old government left off in mid-parliamentary debate this week on the 1996 budget and presenting its welfare reforms to the assembly next week.

The prime minister has now put several ex-Balladurians in the front line: Mr Lamassouze at budget, and Mr Dominique Perben, who as civil service minister will have to redress the Balladur government's one notable laxity in letting public sector pay rise in 1993-95. It may be a clever ploy, but it cannot be repeated.

For, the usual way French presidents change their governments is to change the person at the top. Out of loyalty to his long-time lieutenant, Mr Chirac has given Mr Juppé a second, but probably last, chance.

Showdown at Air France over recovery plan

By John Ridding in Paris

Management and cabin staff unions at Air France are bracing for a showdown over the next few days in an industrial dispute which threatens recovery efforts at the state-owned airline.

The two main unions representing stewards and stewardesses at the loss-making carrier have called a three-day strike, starting tomorrow, to protest against cost-cutting and productivity plans proposed by the chairman, Mr Christian Blanc.

Mr Blanc, seeking to achieve a 30 per cent productivity increase between last year and 1997, is proposing voluntary redundancies for existing cabin staff and the reduction of salaries for new hirings. He is threatening to modify the contracts of cabin staff and possibly reduce their pay should they participate in big numbers in the industrial action.

Unions have rejected Mr Blanc's threat to change their contracts and confirmed they would press ahead with the strike. "He is raising the stakes in a dangerous fashion," said Jean-Paul Méheust, head of the SNFNC union.

Air France says the planned strike, the eighth by cabin staff in a year, would be particularly damaging since it coincides with the launch of improved services at the air-

line and in the middle of its rescue plan.

The plan, which was launched last year, followed a bitter strike in autumn 1993, a climbdown by the previous government and the resignation of the former chairman, Mr Bernard Attali. It is aimed at returning the carrier to profit after losses of more than FF10bn (£1.3bn) since 1993 and includes a FF20bn capital injection from the state.

The risks involved in the dispute have increased as a result of emerging labour discontent at Air Inter, the domestic carrier which is part of the Air France group. Mr Blanc is planning to combine Air Inter with the European operations of Air France to respond to the liberalisation of air travel in the European Union 1997.

Cabin crew at Air Inter are planning to strike alongside their Air France colleagues, while the USFNT union, which represents pilots and mechanics at Air Inter, is threatening action in sympathy with the cabin staff unions.

Despite the current disputes, labour relations at Air France have improved since Mr Blanc launched his recovery plan with a referendum of the airline's workforce. However, strains have grown steadily between management and cabin staff as productivity efforts have fallen short of objectives.

Portugal pledge on site for dam

By Peter Wise in Lisbon

Portugal's new prime minister, said yesterday his government would seek an alternative site for an E550m (£222m) hydroelectric dam whose construction is threatening hundreds of rare prehistoric rock carvings.

The pledge by Mr António Guterres was intended to quell a growing international controversy. It was among the social and environmental concerns given prominence as Mr Guterres opened a parliamentary debate on a government programme aimed at "tempering unavoidable economic rigour with a well-developed social conscience".

The Socialist government, which fell four seats short of an absolute majority in October's general election, could technically be defeated if all three opposition parties voted against the programme. But Communist and right-wing opposition parties are unlikely to unite to provoke a crisis so early in the new government's life.

Mr Guterres proposed spending the equivalent of 0.3 per cent of gross domestic product on introducing a minimum guaranteed income to protect poor families. He said spending

on education - the overriding concern of the new government - would be increased by 1 per cent of gross domestic product by the end of the Socialist's four-year term.

The premier reiterated his promise not to raise taxes. But he said the government had uncovered "hidden deficits" that would make meeting budget deficit criteria for European economic and monetary union harder to achieve. The health ministry alone owed more than E5150bn, he said, and public sector companies including the national airline and the national railway operator, were highly indebted.

Voters would be consulted through referendums on important issues concerning the further EU integration, according to the government programme.

Mr Guterres said the dam at Foz Côa in northeastern Portugal, whose construction was begun this year by a French, Spanish and Portuguese consortium, would be abandoned altogether if this was justified by studies into the cultural value of the carvings. Otherwise, the project would be scaled down and an alternative site sought.

See Survey

MORE FLIGHTS TO MORE CITIES IN ASIA.



*Destinations served by SilkAir, a subsidiary of Singapore Airlines.

We fly 42 times weekly from Europe to Singapore Changi, the world's best airport, connecting with over 400 flights to Asia, Australia and New Zealand. Always aboard the most modern fleet with inflight service even other airlines talk about.

A great way to fly
SINGAPORE AIRLINES

NEWS: ASIA-PACIFIC

Embarrassment for central bank
after it tries to pass the blame

Bank of Japan loan rescue cash missing

By Emiko Terazono in Tokyo

Japanese financial regulators' credibility has been dealt another blow with the embarrassing disclosure of a missing ¥100m (\$655,000) in the Bank of Japan's special loans to Kizu Shinyo Kumai, the Osaka-based credit union which collapsed at the end of August with irrecoverable loans of ¥800m.

Following a run on the credit union, stacks of bank notes were delivered to Kizu on August 30 and 31 to satisfy depositors seeking to withdraw their funds. But of a total of ¥350bn extended to Kizu by the central bank through the National Federation of Credit Co-operatives, ¥100m has been reported missing.

Kizu officials said they had found ¥100m missing on September 1 after checking a safe in Kizu's head office building in Osaka. The Osaka prefectural police are expected to start investigations for theft or embezzlement.

Central bankers say that, once out of their hands, the special loans are no longer their responsibility and Kizu must bear ultimate responsibility. "We were tracing the fund flows but we can't go and check every transaction," the bank's spokesman said.

The bank said it had been assured staff would be sent to Kizu following the run, to prevent criminal acts. "We were told employees of the Osaka government and the credit co-operative federation and the police were being sent to Kizu's branches."

Financial analysts are critical of the bank for passing the blame for the disappearance of the money to Kizu. While the BOJ has been ordering private banks to strengthen their risk-

management systems, it is likely its own procedures when providing funds to collapsing financial institutions will need to be reviewed. For more than two months to have elapsed before the incident became public has also prompted criticism of the bank.

Mr David Marshall, director at IBCA, the European credit rating agency, said the case could further hurt confidence in Japanese financial regulators and the financial system.

"It's the Bank of Japan's job to protect the image of the Japanese financial system, but this does not help at all."

The incident is the most recent in a spate of events which have damaged the credibility of Japanese financial regulators, with the recent Daiwa Bank scandal the most serious. The ministry of finance this week admitted its responsibility in the Daiwa case while the BOJ kept its head low by announcing it would increase inspections of Daiwa.

Meanwhile, disclosures of the alleged involvement of finance ministry officials in a financial scandal earlier this year have further damaged the ministry. Politicians have demanded the ministry be broken up into smaller agencies, a move which could have a negative impact on the entire Japanese financial industry.

Financial analysts are critical of the bank for passing the blame for the disappearance of the money to Kizu. While the BOJ has been ordering private banks to strengthen their risk-

Chinese leaders keen to teach lesson of consumer rights

Shoppers are perfecting art of complaining, says Richard Tomlinson

Shopping in China is dangerous, according to figures issued by the national consumer association. "Substandard commodities" killed three consumers and injured a further 208 between July and September this year.

Exploding beer bottles were a particular problem, with 172 casualties registered. Until a decade ago, few dared complain about shoddy goods and services in China, for fear of being persecuted. These days the situation is reversed; consumers are encouraged to stand up for their rights. At branches throughout China of the Consumer Association, 112,234 complaints were handled in the third quarter of 1995, a 5 per cent increase on the same period last year.

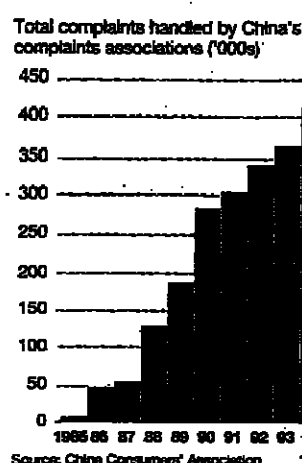
For China's rulers, the birth of a consumer movement is politically and economically expedient. The leadership wants to be seen as being on the side of the consumer at a time when the party's image has been tarnished by corruption scandals. Consumerism is also a convenient tool to make Chinese goods and services internationally competitive.

One sign of the change in official thinking was a directive in August listing 50 taboo expressions for China's surly shop assistants. Familiar phrases include: "Ask someone else", "It's none of my business", and "Hurry up and pay".

A more concrete benefit for the public has been the emergence in the past decade of thousands of officially sponsored consumer associations. At the apex of the network is the national China Consumer's Association (CCA), founded in 1984, which operates from the State Administration of Industry and Commerce. Beneath the CCA umbrella there are about 2,800 local associations, with new branches being established every month.

"It's taken a long time to raise consumer awareness in China," said Ms Yang Ke, deputy director of the CCA.

Shopping in China: tough business



Source: China Consumer's Association



Shoppers at a modern Shanghai department store

"Before our association was created, most Chinese simply saw themselves as customers. They had no concept of being a consumer with rights. So we made propaganda to introduce this concept."

Today, the consumer movement has its own house journal, the China Consumer Newspaper, published four times a week with a circulation of 250,000. Recent features include the tale of a farmer from Sichuan province sentenced to death for selling liquor made with methyl alcohol, and the Yangming Bean Milk Factory in Jiangsu province, fined ¥30,000 (\$3,610) for accidentally poisoning 1,300 primary schoolchildren.

On television, viewers can tune in to CCA-sponsored programmes such as Consumers' Friend, and Knowledge of Consumerism. On International Consumers' Day in March, the CCA and China Central Television host a consumer rights gala evening. This year, it was the turn of a joint venture company making lethal fertilizer (fined and closed down) and yet another manufacturer of exploding beer bottles (one person blinded, several injured) to be exposed on national television.

As a measure of rising con-

sumer awareness, Ms Yang points to the number of complaints to the CCA and local affiliates since 1984. Between 1985 and 1994, 1,69m complaints were handled, and the CCA was able to win more than ¥666m for disgruntled customers. In its latest report, the CCA claimed ¥122.98m had already been "recovered" in compensation during the first nine months of 1995. The annual number of complaints has also risen dramatically: in 1985, barely 8,000 were received, compared with 411,700 last year.

"During the 1980s, more than three-quarters of the complaints were about fridges, televisions and other domestic appliances," said Ms Yang. "Now, people seem to be more dissatisfied with service industries, like delays in telephone installation, plumbing problems, or insurance rip-offs."

Chinese consumers, more discriminating than a decade ago, are also complaining about imported and joint venture products. Japanese televisions, once a model of reliability, are a recent grievance. Until recently, the main problem was the lack of any comprehensive consumer rights law. In October 1993, however, the Standing Com-

mittee of the National People's Congress adopted a law "on the protection of consumer rights and interests", which came into force at the beginning of 1994.

The bill is long on phrases about how "business dealers must adhere to the principles of fair dealing, honesty and credibility", but short on what happens when these principles are breached. Yet in Beijing's larger shops the message that customers have rights appears to be slowly registering.

The real test for China's consumer movement, however, is not the number of complaints, but whether the quality of goods and services is improving. One 30-year-old housewife cited Chinese shoes - once notorious for their poor quality - as an example of higher standards. "Nowadays, our shoes are really quite good," she said. "I've given up buying imports, because they're far too expensive, and not worth the price."

But in most areas, there is room for improvement - including the service provided by consumer groups. The Financial Times made five attempts to telephone the Beijing Consumers' Association hotline. Each time there was no reply.

ASIA-PACIFIC NEWS DIGEST

N Korea near to nuclear deal

North Korea has indicated it is close to signing a contract for two light-water nuclear reactors to be provided by a US-led international consortium. The contract would mark a significant step in resolving the North Korean nuclear issue that caused tensions on the Korean peninsula last year.

Last October, the US promised to supply the new reactors, which produce little weapons-grade plutonium, in return for North Korea abandoning its suspected nuclear weapons programme. The signing of a reactor contract has been delayed by North Korea's demands that the project's co-ordinator, the Korean Peninsula Energy Development Organisation (KEDO), should supply related facilities, valued at \$500m-\$1bn, in addition to the \$4bn reactors.

North Korea said differences over the issue had narrowed, with the contract's drafting having reached its final stage. Joong-ang Ilbo, a South Korean newspaper, reported that KEDO had agreed to build a port and an access road to the plants, to be built at the remote site of Sinpo on the east coast. But KEDO rejected demands it should also construct power transmission and distribution lines for the plants.

John Burton, Seoul

Samsung aims for Texas plant

Samsung Electronics yesterday requested approval from the South Korean government to build a \$1.5bn (\$232m) semiconductor plant in Austin, Texas. It was the first application for a big foreign investment project since the Korean government last month imposed limits on corporate expansion. The government wants to slow foreign investments and prevent a "hollowing-out" of Korea's industrial base by making such projects more expensive. It requires companies to finance at least 20 per cent of foreign investments from domestic sources. Interest rates in Korea are much higher than abroad. Samsung plans to finance 30 per cent of the plant's cost with its own funds, while the rest will be supported by bank loans in the US.

John Burton, Seoul

Jaffna administrator sacked

The Sri Lankan government yesterday dismissed its administrator for the Jaffna peninsula, for giving "misleading" reports of the situation in the north. The dismissal of Mr K. Ponnambalam, government agent for Jaffna, who has been in Colombo for the past three weeks, was announced in parliament by Mr C. Gooneratne, industries minister. No further details were given as to why Mr Ponnambalam was fired. However, he has suggested the civilian toll from fighting in the north is higher than government estimates, and his estimate of the number displaced in the north - at least 300,000-400,000 - is much higher than the government's figure of 100,000. Aid agencies also dispute the latter figure.

The sacking is the latest move by the government to control information about the position in the north. Local press reports are censored and all journalists banned from the war zone.

Mark Nicholson, Colombo

US sailor admits Okinawa rape

A US sailor yesterday admitted raping a Japanese schoolgirl in Japan's southern island of Okinawa, an event which triggered the biggest upsurge of anti-US feeling in the country for more than 30 years. Two other defendants, both marines, denied rape but admitted, in a district court on the island, to conspiring with Seaman Marcus Gill to abduct and rape the girl on September 4. The government has been struggling to defuse tensions, with some success as shown by yesterday's unanimous agreement by parliament's lower house to increase by ¥3bn (\$39m) Japan's ¥620bn annual contribution to the costs of keeping US troops in Japan.

William Dawkins, Tokyo

Party brought into loans row

Japan's opposition New Frontier party was exposed to embarrassment yesterday when relatives of a former senior member were arrested on suspicion of breach of trust and embezzlement. The brother and sister of Mr Toshio Yamaguchi (pictured left), a former labour minister, were arrested on charges related to the trial of Mr Harumori Takahashi, one of the best-known property developers of Japan's late 1980s economic boom. Mr Takahashi has admitted arranging illegal loans by two credit unions under his control, but denies intentionally breaking the law. Mr Yamaguchi resigned from the NFP last March when it emerged his relatives might have received illicit loans. He said their arrests were regrettable and he would follow the investigations carefully.

William Dawkins, Tokyo

UN accuses Burma over forced labour ahead of 'tourism year'

By Ted Bardacke in Bangkok

Burma's military junta is using forced labour to upgrade infrastructure and restore landmarks ahead of the country's "Visit Myanmar Year" tourist promotion, the UN said in a human rights report published yesterday.

Mr Yozo Yokata, special UN human rights investigator, said the workers were unpaid and had been forced to work on the country's railways, roads and airports, and tourist sites such as Mandalay Palace. Workers had to pay to rent bulldozers, buy their own tools and supply their own food.

The Burmese government denies the allegations, saying labour "donations" were a tradition in the country, especially in the building of pagodas, monasteries, roads and bridges. People take part "enthusiastically and

conscientiously" in the projects, the government said.

Burma, in dire need of foreign exchange, hopes to attract 500,000 foreign tourists in 12 months beginning October 1996 as part of the "Visit Myanmar" promotion. About 100,000 tourists are expected this year, bringing some \$50m (\$31.6m) in hard currency.

To prepare for this, investment worth \$50m has been approved in the tourism sector, making it the second biggest area of foreign investment after oil and gas.

Many hotels in Burma are still unfinished and it is hard to find lodgings outside Rangoon, Mandalay and Pagan. The government lacks a substantial tourism promotion budget. Mr Armin Schoch, managing director of the Rangoon-based tour company

Insight Myanmar, says it is optimistic to expect 350,000 tourists to visit during the promotional year.

In the UN annual report on human rights in Burma, Mr Yokata said many political prisoners remained in jail despite last July's release of Aung San Suu Kyi, Nobel peace prize winner and democracy activist. The release had won the military government praise but had yet to lead to a meaningful political dialogue on return to civilian rule. But few people were being jailed for anti-government activities.

The report listed stories of abuses by the Burmese military, including forced portering and systematic rape. The government denied these charges, saying it could not act unless victims made the allegations to law authorities inside Burma.

Formosa Plastics chief suspended over affair

By Laura Tyson in Taipei

The heir apparent to the Formosa Plastics group, Taiwan's largest private industrial conglomerate, has been suspended from his position at the helm of the group's flagship company for one year following disclosure of an extra-marital affair.

Winston Wang, 44, the eldest son of clan patriarch and group chairman Mr Wang Yung-ching, is still expected eventually to take over the family business but is likely to stay overseas, probably in the US, for a time before returning to the group's flagship, Nan Ya Plastics, the country's biggest industrial company.

It is thought that the elder Mr Wang, 79, who himself has three wives, was displeased over the swirl of rumours and press speculation sur-

rounding his son's affair since it broke two months ago. The share prices of the group's listed companies have fallen in recent weeks.

A statement by Nan Ya yesterday said the younger Mr Wang had been disciplined because he "failed to manage the case properly and caused troubles for Formosa Plastics".

Mr Wang met Ms Lu An-ni, 26, a graduate student at Taiwan University, where he teaches part-time. He was her thesis adviser. Ms Lu has spoken extensively to the media but he confirmed the matter publicly only two days ago, apologising in an article carried in a local newspaper.

Formosa Plastics' four listed companies have sales of \$61m and a market capitalisation of \$10.5bn. It is the world's largest PVC manufacturer and is diversifying into electronics.

THE FUTURE OF BUSINESS LIES IN A COMMUNICATIONS SUPER HIGHWAY.

TOO TRUE:

The Black Country New Road is now open giving access to 300 acres of development sites in the heart of England.

When we say super highway we mean it - literally. A road giving fast access to the heart of the Black Country Development Corporation area. A road which instantly links each development site to the M6, M5, M54, M40 and M42. A road which will, in short, provide the fastest route to all your markets and all your customers. The Corporation's area is

now well and truly open for your business. Its future will rest upon one of the oldest technologies of all time - transport communication. It's an idea as ancient as the Romans, yet which has been proved time and time again. Pay us a visit and discover how, with relocation planning and Government funding, we can help take your business into the 21st century.

BLACK COUNTRY
DEVELOPMENT CORPORATION

BRIGHT FUTURE

0121-511 2000

Black Country Development Corporation, Black Country House, New Road, Oldbury, West Midlands B69 2DG. Tel: 0121-544 5700 Fax: 0121-544 5701 / 0121-552 0400.

■ Ford-Volkswagen joint venture: by David White

\$2.6bn investment in AutoEuropa

The joint venture is Portugal's biggest foreign investment and its largest manufacturing project

What does someone do with a pair of skis on a dusty plain south-east of Lisbon? Ford and Volkswagen have found a use for them at the training centre which is part of their new joint factory complex at Palmela. Groups of three or four young recruits are told to stand on skis and manoeuvre in unison as part of their coaching in the latest teamwork concepts.

Trainees move purposefully about the building in metallic grey jumpsuits. Snatches of English or German can be heard in the corridors. In both its culture and its dimensions, the plant seems like a settlement from outer space.

The two companies' AutoEuropa venture, inaugurated seven months ago, is Portugal's biggest foreign investment – totalling some \$2.6bn – and the largest manufacturing project ever undertaken in the country. The workforce at the plant itself already numbers just over 3,000, and a further 1,500 jobs have been created at the adjacent business park which provides parts for the factory. Guarded like a military installation, the factory has its own 24-hour fire brigade, fully-equipped medical centre, bank and travel agency.

Exports

At full production, the plant is expected to add as much as 15 per cent to the value of Portugal's total exports, and 6-7 per cent to its import bill. About 5,500 indirect jobs have been created across the country in addition to the direct employment at Palmela. Because of its importance to the national economy, Mr Ralph Rosignolo, the venture's American executive director, says it gets "an awful lot of attention from government".

The trumpeted arrival of



Ralph Rosignolo: 'we have a very aggressive programme'

Ford and VW, which chose Portugal to make their new multi-purpose vehicle, contrasts with the misfortunes of the nearby Renault plant at Setúbal, which the French parent company wants to close.

Renault's experience, dating back to 1980, has turned distinctly sour. The Renault plant was set up in a joint venture with the Portuguese state, which has a 30 per cent stake in the local subsidiary. It now assembles Citro cars, which the group makes at four other, larger plants in Europe. Renault says the market in southern Europe is not strong enough to justify continuing the production arrangement; the Portuguese government has responded by threatening to sue the French group to compensate for the tax breaks

and financial incentives it has received. Mr Rosignolo is sheepish when asked about Renault and about what kind of pledges the Portuguese authorities sought in order to prevent anything similar befalling the Palmela project. But there is a clear difference in the thinking behind the new venture. Unlike Renault's, there is a single production centre for the new model, on a much larger scale, employing more than three times as many people and designed to produce up to 180,000 vehicles a year.

The new vehicle is geared to the market in the rest of Europe rather than to local customers. It is not being launched in the Portuguese market until next month. So far, therefore, 100 per cent of production is for export.

AutoEuropa executives say proudly that it is the first time a Portuguese plant can claim to be actually making a car, with 46 per cent of the content in terms of value produced locally.

The project was born four years ago. The idea of joining forces to make a "people carrier" – minivan to Americans – followed the example of Fiat and the PSA Peugeot Citroën group. The 50-50 Ford/VW alliance was based on collaboration between the two companies in Brazil and Argentina –

although by the time the Portuguese plant was ready they had decided to break up their Autolatina operation and go their own ways in South America. Mr Rosignolo says the companies opted for Portugal because of its stable political scene, the availability of a young workforce, the presence of an existing motor components sector and the offer of fiscal benefits to offset the cost of transporting cars to northern Europe from the far south-west of the continent. The vehicles almost all go by ship from the port of Setúbal.

Tasks were split between the two companies, with VW in Germany doing most of the development work on the new model and Ford taking the main role in planning factory facilities and purchasing. Mr Rosignolo comes from the Ford stable. Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$257bn for developing the vehicle and \$257bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.



Robots at work at the Novo das Carroças car plant

AutoEuropa is a production-only company, making cars for the two parent groups' distribution networks. The new vehicle is produced in equal numbers as the Ford Galaxy and the VW Sharan. The two marques are distinguished by different grilles, bonnet shape, lights and interior fittings, each vehicle identified as one or the other from the moment it begins production. Next year an additional Seat Alhambra version is planned for VW's Spanish subsidiary, the first Seat car to be made outside Spain.

Suppliers

The plant does stamping, body construction, painting, trim and final assembly. Components, including VW and Ford engines, come from 17 European countries. But 10 of the most important local suppliers have set up facilities in the Palmela industrial park, supplying such items as exhaust systems, bumpers, door panels and axles.

This, Mr Rosignolo says, has enabled AutoEuropa to implement not only a "just-in-time" component delivery system to limit inventories, but also a more novel system of just-in-time manufacturing, with local suppliers receiving information from transponders on each vehicle as it passes along the assembly line.

The plant's design, he says, drew on the best examples from both groups, and is aimed at minimum use of space,

material and time. Instead of having everything under one roof, trim and final assembly is carried out in a separate, connected building to allow components to be unloaded as close as possible to the point of use.

The combination of a new greenfield plant, a new vehicle and new logistics and communication systems led to some initial difficulties and a slower-than-expected build-up of production. Mr Rosignolo admits that the company missed its initial targets "by a couple of months," but says it set itself "a very aggressive programme". Output is due to reach 484 vehicles a day by the middle of this month. Most of the plant is now working on two shifts a day. Reaching the full planned production would require a third shift, and probably an extra 1,500 jobs at AutoEuropa and its auxiliary companies.

Expectations are based on the success of this kind of vehicle in the US market, where sales have reached 1.5m a year. Mr Rosignolo attributes the slower trend so far in European sales to the lack of sufficient European manufacturing capacity. "Both the Sharan and the Galaxy are going to make a major impact on the growth of this market," he says. Ford and VW are calculating on a European market of 800,000 by the year 2000, and aim to capture a third of that total.

"We feel that we are at the right place and the right time," says Mr Rosignolo.

■ Literacy report: by David White

Controversial conclusions

Low literacy levels, a legacy of the Salazar regime, now pose serious questions

The Portuguese had to wait until after last month's general election to learn the truth about their education system. An in-depth study on literacy levels came to conclusions so controversial that its organisers decided to hold back publication for several weeks to avoid giving the impression of interfering in the political campaign.

The report raises serious questions about the effectiveness of educational reforms over the last 25 years and the increased funds that have been channelled into the system. The report shows Portugal lagging well behind other European Union or OECD countries. Among its findings is that more than 47 per cent of Portuguese between the ages of 15 and 64 have little or no ability to read or do sums.

For the new Socialist government, which made much during its election campaign of the need to improve the school system, the report gives an idea of the scale of the challenge being faced. Indeed, the new education minister, Mr Eduardo Marçal Grilo, was the head of the National Education Council responsible for commissioning the report. The report's main author, Ms Ana Benavente, has joined him as state secretary for primary and secondary schools.

Portugal's backwardness in literacy standards is a legacy of the Salazar regime, which for four decades invested little in schools. Some of its backers were actually proponents of illiteracy, as a guarantee against subversive influences.

"I consider more urgent the creation of élites than the necessity of teaching people how to read," Salazar himself was quoted as saying on one occasion.

In spite of a national campaign for adult education, launched in the 1950s, a quarter of the population was still

illiterate by 1970. Growing prosperity in the 1960s had brought a big rise in the number of school pupils, but not an equivalent increase in the number of schools. There is still a chronic shortage of buildings. In the cities, children attend school in three daily shifts. When teachers fail to appear, classes are dismissed.

Compulsory schooling, set at just four years during the Salazar period, has since been increased to nine years, from age six to 15. But many children leave early, often under family pressure to find work, and Portugal has a relatively low proportion in secondary or higher education.

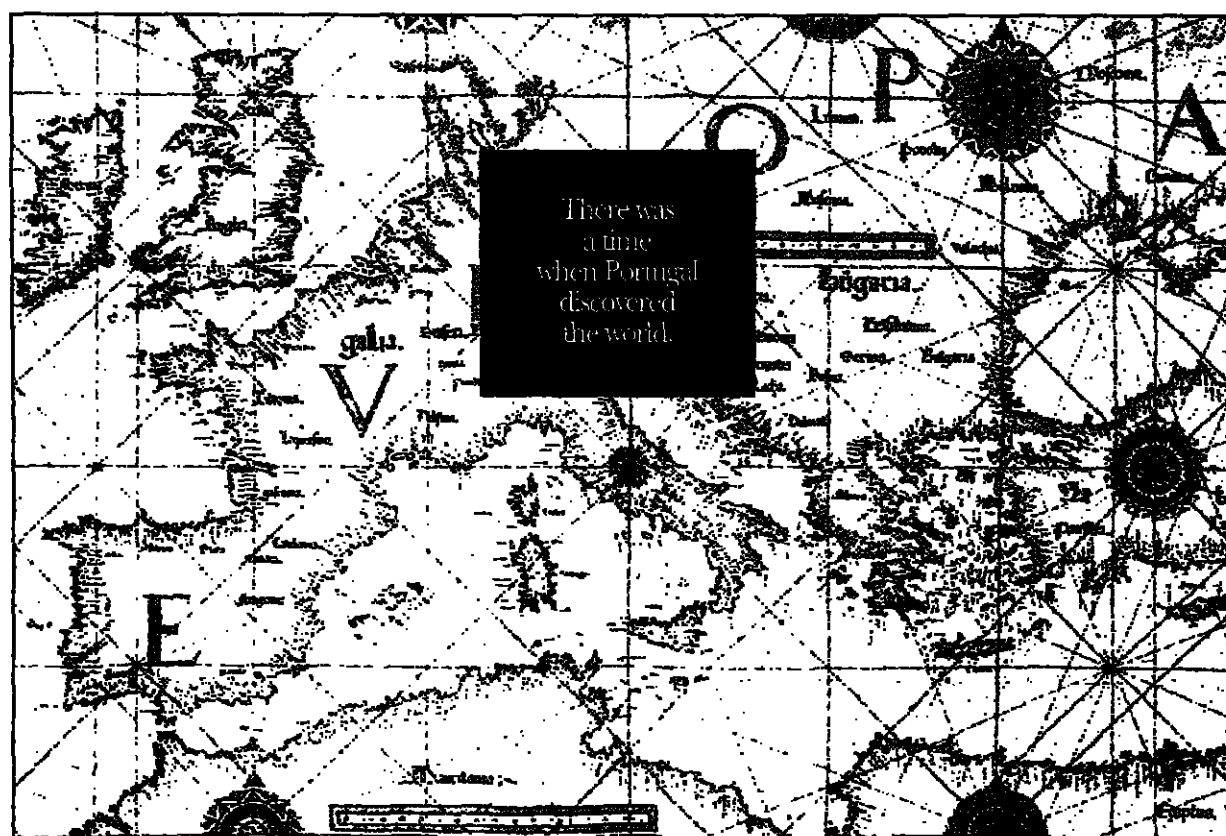
The OECD, in its latest report on Portugal, cites 1991 figures showing less than half of five-to-29-year-olds in full-time education – 47 per cent compared with 57 per cent, for instance, in Greece or Spain.

The National Literacy Study was carried out by Lisbon University's Institute of Social Sciences, with backing from the National Education Council and the Calouste Gulbenkian Foundation. Following methods used in the US and Canada, it set five levels, employing a series of tests.

Almost 2,500 people in the 15-64 age bracket were tested. Of these, just over 10 per cent were at level zero – a level not even considered in the US and Canadian studies.

A further 37 per cent were at level 1, and 32 per cent at level 2. The standard for level 3 included, for instance, being able to understand dosage instructions on a medicine leaflet, and for level 4 working out interest payments on a five-year housing loan. Fewer than 21 per cent in total attained these standards, compared to 84 per cent in Canada.

Unesco statistics indicate that the number of illiterate people fell 20 per cent in the 1980s, but at the end of the decade still represented 15 per cent of the population and 18.5 per cent of Portuguese women. This reckoning puts Portugal behind countries such as Paraguay or the Philippines.



There was a time when Portugal discovered the world.

Now it's time to discover us.

PORTUGAL
A LAND FOR YOU

Our strategic location, as well as the political and social stability of one of the European Union's fastest-growing economies, have clearly put us on the map.

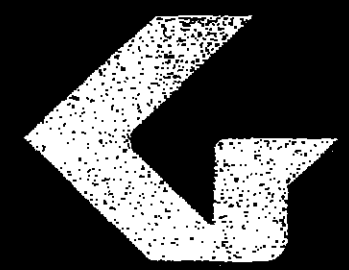
That's why an increasing number of multinational companies are setting up business in our country. After all, investment in Portugal opens a gateway to a market of 370 million people.

For more information, contact ICFP. We'll help you find the right way to get there.

ICFP

Portugal

Living Energy



Self-Service
24 Horas
Super
S/chumbo 98

GALP

Lavagem

Lubrificação

GALP GAS

Pneus

GALP FROTA

Visa

MasterCard

Petrogal is the most important company in Portugal, with a turnover of US\$ 4 billion and has the only refining operation in the country. Petrogal's two refineries, located at Sines and Oporto, have a joint distillation capacity of 280,000 bbl/day.

Petrogal produces and distributes, under the Galp brand name, petrol, gas oil, fuel oil, lubricants, chemicals, jet fuels and asphalt.

Petrogal is expanding its activity through a network of more than 1,300 service stations in Spain and Portugal.

Petrogal is a living energy in Portugal.

Porto de Sines de Portugal

Petrogal, sa

Rua das Flores, 1200 Lisboa - Portugal

هكسان المجلد

NEWS: WORLD TRADE

London to push global rather than transatlantic aims

UK lowers US trade hopes

By Guy de Jonquieres

Britain will today urge the US and EU to devote their current dialogue on transatlantic trade relations mainly to planning the next phase of global trade liberalisation.

Mr Ian Lang, UK trade and industry secretary, will say in Washington that the US-EU summit in Madrid on December 3 should endorse proposals for a new multilateral agenda, to be put to the ministerial meeting of the World Trade Organisation in Singapore late next year.

Mr Lang conceded before he left London that his speech marked a shift of emphasis from the drive for freer transatlantic trade advocated by Mr Malcolm Rifkind, the foreign secretary, at last month's Con-

servative party conference.

The trade and industry secretary was cautious about transatlantic liberalisation, saying progress required unity of purpose in Europe and a favourable US response. "It has to be said that neither of those prerequisites is in place," he said.

He also warned that any effort to lower US-EU trade barriers must not involve any exclusive or discriminatory arrangements which jeopardised the interests of other trading partners.

He said the UK had never been committed to creating a transatlantic free trade area, and insisted that discussions between Brussels and Washington be set firmly in a multilateral context.

In his speech, Mr Lang supports US-EU co-operation in

areas such as standards, competition policy and customs procedures. But he says: "More important, in terms of the results ultimately achievable, is the need for the EU and US to work together on the longer-term agenda for global trade liberalisation."

He says the two trading powers should jointly aim to advance the multilateral trade agenda in four main areas:

• Persuading other countries, notably in the developing world, to open their public procurement markets.

• Developing tighter disciplines on government subsidies to industry, particularly in the state-owned sector.

• Faster implementation of tariff cuts agreed in the Uruguay Round, particularly on electronics products.

• Stronger support for rules on the protection of intellectual property rights.

Mr Lang says the US and the EU should also press for further action in the WTO on technical barriers, rules of origin and deregulation.

However, he chides the US for failing to commit itself fully to last summer's WTO accord on liberalising financial services. He is also pessimistic about coming talks on maritime services, in which US barriers are a big stumbling block.

Mr Lang declined in London to endorse the recent proposal by Sir Leon Brittan, the European trade commissioner, that the WTO should commit itself to negotiating on the environment, competition policy, investment rules and labour standards.

Business ally means business

International Chamber of Commerce chief plans to raise the body's profile



Rahmi Koc: ICC not a philanthropic body

It might seem ironic coming from the head of an organisation set up by and for private sector companies, but the president of the International Chamber of Commerce talks a great deal about the need for the chamber to be more businesslike.

Almost half-way through his two-year term, Mr Rahmi Koc says the ICC, the Paris-based lobbying and business services body founded in 1919, needs to do more to "face the competition" and to "make money".

Mr Koc has clear messages from businesses to governments around the world, but he also is placing emphasis on internal issues within the organisation, which represents thousands of companies and associations in 139 countries.

He wants to make the ICC "a less bureaucratic organisation" and "a little financially stronger," from its current break-even budget of about FF60m (\$12.5m) a year. "We are not here for philanthropic work. We must use the dues from our national committees in the most effective way."

He also has another impor-

tant house-keeping activity: raising the profile of the organisation, which is known to governments and those who use its services, but has a more obscure public image.

"We don't get enough credit for the work we do," he says, adding that he would like to change the name - perhaps to

the World Business Organisation. "Our work is like that of the World Trade Organisation and the European Commission and the United Nations put together."

Much of ICC's work is low-profile because it involves lobbying - the results of which are never very clear or public - and technical commissions, whose conclusions tend sometimes to reach only a small circle of experts.

Greater publicity would help to improve the ICC's "understanding and acceptance", says Mr Koc, as well as permitting the organisation to be more closely associated with some chief executives "who prefer to be associated with high-profile organisations".

Behind the scenes, the ICC has made important contributions to smoothing the flows of world commerce. These include rules on documentary credits used by banks for payments in international trade,

regulations for harmonising guarantees on large construction projects, and the ATA Carnets or documents which allow goods to be temporarily imported duty-free.

Perhaps most significantly, the body co-ordinates the work of the International Court of Arbitration - probably the leading body for dispute resolution - including such recent cases as the FF200bn claim of Eurotunnel, operator of the Channel tunnel link, against the British and French railway companies.

More generally, Mr Koc is overseeing a new version of a voluntary code of ethics for business, which the ICC first produced in 1977. It broadens the scope of the guidelines to include judicial affairs, tax negotiations and other activities between governments and business that go beyond the original remit of corruption in contracts.

"Corruption is a very wide-spread cancer," he says. "It is the result of more production capacity and less demand. We have to highlight the danger and let the business world know that we don't approve."

The ICC is a strong advocate for open markets. "Our basic motto is a liberal economy," while he acknowledges that some countries, including Japan, argue that the pace of change is too quick.

He also sees two important new trends threatening businesses in many countries across the world. The first is budget deficits. The working population cannot pay any more for the non-working population.

Second, he argues that the former Communist bloc presents real challenges: not only because Russia is one of the world's largest agricultural and oil producers, but also because of the risk of a substantial migration to the west of "very educated, hard-working people, who will work for one-tenth the wage of others".

Andrew Jack

Meeting expected to seek closer economic ties

Senior officials from leading European and American businesses meet in Seville this weekend to debate proposals for reducing transatlantic trade barriers, writes Caroline Southey in Brussels.

The meeting is expected to give new impetus to efforts to strengthen political and economic ties between the EU and US.

Last month some EU member states blocked a Commission initiative for a joint study with the US on the creation of

a transatlantic free trade area.

Sir Leon Brittan, chief EU trade negotiator, said the businessmen would assist efforts to remove remaining trade barriers by "giving content to the political will" to increase trade and investment. Proposals from the meeting will be put to the EU-US summit in Madrid.

The agenda includes further liberalisation of tariffs, public procurement and trade law; product and performance regu-

lation, standards, testing and certification; international investment; and co-operation with third countries.

The EU will be represented by Sir Leon Brittan and Mr Martin Bangemann, commissioner for industry, and the US by Mr Ron Brown, commerce secretary.

The European companies at the conference include Siemens, Philips, France Telecom, British Telecom and Volvo. The US companies include Ford and Xerox.



For the price of a British Airways' Economy fare you could fly Business Class with British Midland.

Which means you can afford to move up in class, without having to move up in price.

If, on the other hand, you are currently travelling Business Class with British Airways, or any other airline for that matter, you could make impressive savings by changing to British Midland.

You could find yourself saving as much as £100

Heathrow to...	British Midland BUSINESS CLASS	British Airways ECONOMY CLASS
Amsterdam	£214	£214
Frankfurt	£280	£280
Brussels	£225	£225
Paris	£205	£205
Prague	£355	£462
Zurich	£286	£296

per trip on our newest route to Zurich, for example.

Every week we have over 1,000 flights to 15 major European destinations and on our international services, you'll find that you can enjoy all the benefits of Diamond EuroClass.

For further information, contact your travel agent or call British Midland on 0345 554 554.

So, why make false Economy when you could be flying Business Class with us.

British Midland

Brussels lists Tokyo barriers

By William Dawkins in Tokyo

The European Commission yesterday presented the Tokyo government with a list of 184 Japanese trade barriers it would like to see demolished and voiced concern over a recent rise in the EU's trade deficit with Japan.

Mr Horst Krenzier, the Commission's director general for external relations, warned that this year's EU-Japan trade deficit could well exceed last year's \$21.99bn, interrupting the decline from the 1992 peak. A delegation led by Mr Krenzier delivered the list of deregulation proposals at a regular meeting with senior Japanese counterparts. The list is a more detailed version of a 150-point plan covering a wide range of sectors from telecommunications to retailing and presented last year.

Mr Krenzier praised the Japanese government's deregulation campaign for being handled in a clear and open manner, but said the EU remained dissatisfied with the results: "It needs dynamically

to be pushed forward." According to the Commission, Japan's surplus with the EU jumped by 13 per cent in the year to September, a blip in a 2½-year declining trend.

Mr Krenzier also expressed some concern over the implementation of last summer's US-Japan accord on opening the Japanese market for cars and car parts. European car component producers in Tokyo maintain that they are starting to lose Japanese market share to US suppliers, reinforcing the EU's fears that Japanese car companies feel under political pressure to discriminate in favour of US suppliers.

The EU saw no problems in the text of the accord, and it was too early to say whether or not European component producers really were losing Japanese market share, said Mr Krenzier. He said the position might be clearer by early next year when the Commission, which is monitoring car trade with Japan, holds its first meeting with the Japanese authorities to discuss the progress of the accord.

US dumping case with a UK twist

By Nancy Dunne in Washington

It sounds like a routine US dumping case involving plastic framing materials: *Foam extruded PVC and polystyrene framing stock from the United Kingdom*. But it is not, for subsidiaries of two UK companies are battling it out for US market share under a law designed to protect American companies.

Marley of Marion, Virginia, a US company bought by Marley of the UK a few years ago, has accused the fast-growing Woolwich-based Emayfi (affiliated with Simon & Sons, largest distributor of wood mouldings in Europe) of dumping its products in the US market at unfair prices.

The plastic framing materials produced by Emayfi have become popular in the US, with a number of finishes available, including foil wrap, glossy paints, prints, floral and those which look like wood, marble and granite. Emayfi says it uses the most advanced technology for a far wider selection of finishes.

A preliminary ruling by the US International Trade Commission last month found that Marley had shown "a reasonable indication that an industry in the US is threatened

with material injury by reason of imports from the UK".

The US Commerce Department will now try to determine if Emayfi has been dumping - selling at prices deemed to be unfair - a decision that in the US usually goes against the alleged dumper. Then the ITC, after a more extensive investigation, will determine whether the imports actually injured the domestic US industry.

Mr Louis Mastriani, one of Marley's US lawyers, alleges that Emayfi has been selling its products at prices well below those it charges in the UK and Europe. He maintains Emayfi and Marley mass market products are comparable, but Emayfi uses low prices to attract US customers, and then sells them more elaborate custom-designed materials.

Emayfi says that before the dumping case was initiated Marley approached it with a view to buying it out, but this did not come to anything. The company has found a champion in Mr John Austin-Walker, a British Labour MP who says Emayfi set up in Woolwich eight years ago with a labour force of four and now employs over 400 in a high unemployment area. He has asked the UK to intervene against what he describes as "blatant protectionism".

Israel press

likud leader to avoid taking

Party accused of extremist reports

Julian Crane

trade fair plan to improve

BROWN

Peres moves to strengthen government and crack down on Jewish extremists

Israel presses on with Palestinian self-rule

By Julian O'Zanne in Jerusalem

Israel pressed ahead with the next stage of Palestinian self-rule yesterday as Mr Shimon Peres, acting prime minister, prepared to strengthen his government and crack down on right-wing Jewish extremists.

Mr Peres reassured that the assassination of former prime minister Yitzhak Rabin by an extreme right-wing Jew would not kill Middle East peace. "I shall continue the process of peace that we have started," he said after talks with Mr John Major, the British prime minister, one of the many foreign leaders who attended Mr Rabin's funeral on Monday.

At the same time, Mr David Libai, justice minister, said he was preparing legal measures

to ban incitement to violence against public figures, and police arrested four Jewish extremists.

In the West Bank town of Jenin, Israeli and Palestinian military officers met to discuss how to complete the Israeli handover of the first West Bank town to Palestinian self-rule. Israel is to complete redeploying its forces out of a further five Palestinian towns in the West Bank and make a partial withdrawal from Hebron by December.

"We are now resuming the redeployment," said Brigadier-General Ziad al-Atrash, a senior Palestinian military officer. "Everything is going according to what had been agreed. Palestinian police will arrive in Jenin this week."

Senior Palestinian officials

also voiced optimism about Mr Peres' ability to push ahead with the peace process. "We are certain that Peres will continue with the peace process. He has already informed us that he will and it is an irreversible option [for Israel]," said Mr Tayeb Abdel-Rahim, general secretary of the self-rule Palestinian Authority.

Syria, Israel's most powerful remaining adversary, urged Mr Peres to reactivate the peace

process in the wake of reports that Mr Warren Christopher, US secretary of state, might renew his shuttle diplomacy efforts between Israel and Syria next month.

As the process appeared to be returning to normal, the potential shape of the future Israel government began to emerge. President Ezer Weizman will next Sunday call upon Mr Peres, who moved into the prime minister's office yesterday, to form a new government after a traditional week of Jewish mourning.

Labour party officials said Mr Peres would seek to broaden the current fragile centre-left coalition to bring in moderate religious parties.

Political experts said that barring any surprises Mr Peres would easily be able to gather

a parliamentary majority and they ruled out the prospect of bringing forward the next general election, due by October 29 next year. Three previous attempts to hold early elections to capitalise on changes in electoral mood have backfired on ruling parties.

"Why should we advance the elections after what happened?" said Mr Yossi Beilin, economics minister. "Why should we give a prize to the assassins, that they can stop everything after what happened?"

But Mr Benjamin Netanyahu, leader of the right-wing opposition Likud party, strongly denounced public accusations that he contributed to a climate of violence which made Mr Rabin's assassination possible.

Likud leader struggles to avoid taking blame

In Israel's volatile domestic politics, the right-wing opposition Likud party has emerged as a loser from the assassination on Saturday of prime minister Yitzhak Rabin by a right-wing extremist.

Mr Benjamin Netanyahu, the Likud leader who has spearheaded opposition to the Israeli-Palestinian peace process, has made statesmanlike efforts to distance his party from the right-wing extremists and their culture of verbal violence which created the climate in which the assassination took place.

But the public is in an unforgiving mood and, urged on by Mr Rabin's supporters, appears incapable at the moment of sparing the Likud from a backlash. Many Likud officials privately admit the party is facing considerable difficulties in maintaining a strong opposition to the government's peace process and could face fresh internal dissension against Mr Netanyahu's leadership.

"It is quite obvious that the Likud is in trouble," said Mr Abraham Diskin, professor of political science at the Hebrew University. "Everybody is now out to attack the right-wing parties and the Likud is the main focus of the attack. It is unfair in many ways because

they aren't responsible for what happened. Nevertheless they are in very deep trouble and if elections were held today, support for the left would increase 10-20 per cent."

Party accused of creating climate of extremism, reports Julian O'Zanne

Sensing the potential danger Mr Netanyahu has been trying to limit the damage. Immediately after the assassination he backed the formation of a new Labour party-led government and called for national unity.

Yesterday he rejected public accusations that his sometimes fierce and personalised campaign against Mr Rabin's peace policy had contributed to a climate of hatred.

"These attempts now to make political hay out of this, to try to say it's the responsibility of the Likud, is like asking whether Lee Harvey Oswald [who shot US President John Kennedy in 1963] was a Republican or a Democrat and then blaming the party," he said. But it is unclear, especially

in the short term, whether this exercise can protect Mr Netanyahu's poll standing. Recent opinion polls had shown him and Mr Rabin neck and neck with 42 per cent of the vote each. But Mr Netanyahu's determined bid for power has placed strains on party unity. And although he emphasised his opposition to violence, his fierce personal attacks against Mr Rabin contributed to the growing polarisation.

During a recent debate in the Knesset (parliament), he accused Mr Rabin of having abandoned Zionism, reaffirmed Jewish biblical rights to the Israeli-occupied West Bank, and accused Mr Rabin of working towards the remoulding of the Jewish state as a "tiny, threatened" country.

Mr Netanyahu's record is now under scrutiny by Mr Rabin's supporters, who are eager to ensure the late prime minister's drive towards Arab-Israeli peace will be fulfilled. Mr Rabin's widow Leah, whose grief has captured the hearts of Israelis, has blamed right-wing inciters inside and outside parliament for her husband's death and yesterday when asked by CNN television whether she blamed Mr Netanyahu personally, she said: "I do blame him."



Ultra-orthodox Jews pass posters praising Yitzhak Rabin in Jerusalem yesterday

In a separate interview she said: "There definitely was incitement, which was strongly absorbed and found itself a murderer, who did this because he felt he had the support of a broad public with an extremist approach."

In the short term this will help the Labour party, which has been quick to exploit the assassination by saying Mr Rabin's legacy should be to speed forward with the peace he did so much to create.

Mr Netanyahu has accused Labour and the left of a "very cynical incitement" in "trying to blame part of the country and besmirch half the people". But no matter how much he

objects, the Likud's credibility among Israelis is in question.

Furthermore, the current difficulties of Likud will refocus attention on its hitherto rather sketchy alternative to the government's policy of territorial compromise. It has proposed a highly diluted autonomy plan for Palestinians in which they, according to Mr Netanyahu, "will run their lives and affairs in densely populated Arab areas surrounded by Jewish security areas and the Israeli army... [which] will be solely responsible for security."

Such a plan is unacceptable to Palestinians, Arab states and the international community which is underwriting the

Labour-led government's policy.

Prospects for dialogue between Mr Netanyahu and Mr Yasser Arafat, the Palestinian leader, are virtually nil so long as the Likud leader continues to call Mr Arafat a terrorist.

And the Likud difficulties have re-opened internal tensions about Mr Netanyahu's leadership.

"There is no doubt the Likud has suffered a big blow in its public support," said Mr Danny Ben-Simon, political commentator of the Davar newspaper. "There is now considerable pressure on Netanyahu to rethink carefully where the party is going."

Trade fair planned for emergency relief products

WorldAid set up to improve co-ordination and efficiency of 'incoherent' aid efforts

By Frances Williams in Geneva

International emergency relief has become big business. Although government aid budgets have declined since the 1980s, the amount spent on emergencies has trebled since then to more than \$3bn a year as the number of victims of war and disaster has soared above 300m.

Yet few businesses of this size are run as incoherently, according to WorldAid, an independent Geneva-based organisation set up by the United Nations and voluntary agen-

cies to improve co-ordination and efficiency in emergency operations, which launched itself this week.

"Co-ordination is the key issue in emergency relief," said Mr Odd Gram, WorldAid's secretary general and former head of the Norwegian Red Cross. No fewer than 165 voluntary agencies turned up in Kigali last year during the Rwandan emergency, he said.

Similar problems have arisen in Bosnia and in other war and disaster zones, where unfocused if well-intentioned efforts have cost lives and

wasted resources. More than 3,000 non-governmental organisations from rich countries work in the developing world, WorldAid estimates.

"Goods are dispatched in boxes with no indication of what they contain. Instructions are frequently given in languages unknown in the recipient country. Used clothing is collected in vast quantities, even though it is usually not needed and the freight costs could keep several villages going for years," WorldAid said.

To help remedy these problems the organisation is preparing the first-

ever trade fair for suppliers of relief goods, the purchasing agencies, governments and product developers, to be held next autumn at Palexpo, Geneva's exhibition centre. The aim is to make the fair a biennial event.

It is to be accompanied by an international conference of donors and relief agencies, one of whose priorities will be to devise a practical code of conduct for relief operations. This may include such issues as bar coding for supplies, enabling rapid identification and clearance through customs. Food swallows 40 per cent of the

emergency relief budget, but nearly a fifth goes on transport, from cargo jets to donkeys, WorldAid said. Even for more conventional vehicles it is a massive market. Last year, relief organisations bought more than 7,000 vehicles and chartered over 500 ships and 1,000 aircraft.

The agencies are also spending millions of dollars a year on medical supplies, shelter, sanitation and hygiene equipment, water and power supply equipment, telecommunications and mine detectors. The UN system alone has 4,000 registered suppliers.

CHOCOLATE BROWN SUEDE

From our Shoe Collection
Made in Italy. £295

S U L K A

19 Old Bond Street London 0171 493 4468

BERMUDA

The past year has marked a watershed for Bermuda. The debate on independence, culminating in a referendum in August, raised a series of questions about the mid-Atlantic island's future. The survey will report on the island's economy, financial services and more.

For more information on advertising opportunities in this survey, please contact:

Penny Scott in New York:
Tel: (212) 688-6900
Fax: (212) 688-6229

Sue Mathieson in London:
Tel: (+44 71) 873-3060
Fax: (+44 71) 873-3241

FT Surveys

SOLICITATION OF BIDS FOR TURNKEY CONSTRUCTION OF A PRIVATE SECTOR POWER GENERATION PROJECT BASED ON HEAVY FUEL OIL LOCATED AT HUB, BALOCHISTAN - PAKISTAN

- The Fauji Electric Power Company Limited (FEPCO) is a public limited company established in Pakistan to build, own and operate an oil fired power plant of 330 - 350 MW Net Capacity at the Coastal area of Khalifa Point, District Lasbela, Province of Balochistan.
- FEPCO intends to invite bids from private sector Turnkey Construction Firms/Consortia having experience and qualifications to design, construct, test and commission the power plant.
- The scope of the contract will include:
 - Design, Engineering, Manufacturing, Supply Transportation, Construction, Testing and Commissioning of the entire power generation complex including power block, fuel storage, cooling system and substation.
 - Commitment to arrange maximum amount of Export/Supplier's credit.
- Comparison of bids will be made on the basis of a criteria which will assign special consideration to shortest commissioning period, minimum price and maximum suppliers credit, quality & completeness of tender proposal, willingness to contribute equity.
- The price should be quoted and payable in US Dollar for foreign cost component and Pak Rupees for local cost component. Price in other currencies will not be acceptable.
- Turnkey Construction Firms / Consortia wishing to participate in the bidding may obtain the Request for Proposal (RFP) document by sending a written request along with a bank draft / pay order for Rs. 50,000/- or US \$ 1600/- (non-refundable) made out in favour of Fauji Electric Power Company Limited from November 16 to 21, 1995.
- A Bid Security in the form of Bank Guarantee not less than 1% of the Bid Price would be required along with the bid.
- FEPCO reserves the right to accept or reject any Bid without assigning any reason.
- Any further information or clarification about this solicitation may be obtained from the undersigned.

Project Direct, FEPCO, Bartley Street, Rawalpindi, Pakistan
Phone: 92-51-564875 - 4 Lines
92-51-568991 - 5 Lines

INTERNATIONAL NEWS DIGEST

Sanctions call against Nigeria

Nigerian human rights groups yesterday urged leaders of the Commonwealth to suspend their country from its meetings and impose full sanctions against the military government until democracy was restored.

"There is a national consensus that the Commonwealth and its agencies should intervene decisively in the Nigerian situation in order to avert what has the potential of becoming an even worse tragedy than Yugoslavia and Rwanda," the Nigerian Human Rights Community said in an open letter to Commonwealth heads of state.

The annual summit of the Commonwealth is taking place in Auckland, New Zealand, on November 10-13 although it is doubtful if Gen Sani Abacha, Nigeria's ruler, will attend. The Commonwealth, which groups Britain and its former colonies, raised the prospect of sanctions against Nigeria after a special tribunal last week sentenced Mr Ken Saro-Wiwa, a minority rights leader, and eight associates to hang for murder. Nigeria has been in crisis since the army annulled a presidential vote in 1993 aimed at ending military rule.

Coca-Cola in African venture

Coca-Cola, the US soft drinks company, and the South African Bottling Company (Sabc) said yesterday they had set up a joint venture that would serve as Coca-Cola soft-drink "anchor bottler" in Africa.

Coca-Cola has a 16 per cent share of the new company, Coca-Cola Sabc, with the remaining shareholding in the hands of Guttsche Family Investments, Sabc's parent company. But Coca-Cola, which pulled out of South Africa in 1986 and returned in June 1994 by setting up a division and buying National Beverage Services, said it could increase its stake in time.

"The new enterprise is a streamlined bottling operation that will allow us to grow the Coca-Cola business at double digit annual percentage rates throughout Africa," Mr Phil Guttsche, Sabc managing director, said. The deal combines Coca-Cola's bottling interests in Kenya, Tanzania, Uganda and Namibia with Port Elizabeth-based Sabc's South African and Mozambique interests.

Poll truce in Ivory Coast

The prospect of more electoral violence in the Ivory Coast faded yesterday after the country's opposition agreed to abandon a planned boycott of forthcoming legislative polls in exchange for government concessions on voter registration.

The Republican Front opposition coalition pledged to drop a boycott order and guarantee the smooth running of the November 26 polls, which will decide the make-up of the 175-seat parliament. Mr Emile Constant Bombet, interior minister, agreed to extend the date for registration and give voters not listed a second chance to cast their ballots. At least 10 people died in the run-up to last month's presidential elections.

Limited reform for Tunisia

Mr Zine al-Abidine Ben Ali, Tunisia's president, yesterday rejected international criticism of the country's human rights record and announced limited democratic reforms.

In a speech marking the eighth anniversary of his coming to office, Mr Ben Ali described some human rights groups as "perpetrators of lies". A report issued last week by Amnesty International described serious and systematic human rights violations in Tunisia.

Mr Ben Ali said he would amend the electoral code to enable opposition parties to win more seats at the next municipal elections in 2000, and promised to subsidise the four opposition parties.

CONTRACTS & TENDERS

NIGERIA: National Population Project POPULATION ACTIVITIES FUND AGENCY INVITATION FOR BIDS (IFB)

Date of Issuance: NOVEMBER 8, 1995
Credit No. 2338-UNI
Bid Invitation No. PAF/95/ICB/3

1. Federal Government of Nigeria has received a credit from the International Development Association (hereinafter referred to as "IDA") in various currencies towards the cost of the National Population Project and it is intended that part of the proceeds of this credit will be applied to eligible payments under the contract for supply of Printing Equipment for which this invitation to bid is issued. The Population Activities Fund, has been established to manage the Fund.

2. Population Activities Fund Agency now invites sealed bids from eligible bidders for the supply of goods listed below and in the Schedule of Requirements.

LOT	ITEM	DESCRIPTION	QUANTITY	BID SECURITY	US\$	NAIRA
1	1	Office Press	3		1,450.00	116,000.00
2	2	Stitching Machine	2		150.00	12,000.00
3	3	Blinding Machine	2			
4	4	Large Stapler	8			
5	5	Cut and Trim Machine	2			
6	6	Plate Moler	3			
7	7	Drying Cabinet	3		550.00	44,000.00
8	8	Scanner (UPS)	2			
9	9	File Cabinet Frame	1			
10	10	Process Camera	3		630.00	50,400.00
11	11	Process Photocopy	6			
12	12	Safe Lights	1			
13	13	Printing Accessories	1 set		700.00	56,000.00
14	14	Artists Accessories A	2 sets			
15	15	Transformer	4		625.00	50,000.00

Bidders can bid for the supply of Goods under one or more complete lots. Bids for incomplete lots will be rejected.

3. Interested eligible bidders may obtain further information from and inspect the bidding documents at the office of:

The Director of Procurement
Population Activities Fund Agency
83 Badagry Street
Dolphin Estate
Ikoyi
Lagos
NIGERIA

Tel: 01-2693671
Fax: 01-2692137

4. A complete set of Bidding Documents may be purchased by any interested eligible bidder on submission of a written application to the above and upon payment of a non-refundable fee of US\$100.00 if purchased overseas or N\$8000 if purchased in Nigeria. Bidding documents can also be inspected and purchased from the address below:

Winchester Procurement Limited
Anglo St. James House
Southgate Street, Winchester
Hampshire SO23 9EH
ENGLAND
Tel: 01962 840008
Fax: 01962 840009

5. All bids must be accompanied by a bid security in the form of a Bank Guarantee. The bid security in the currency of bid or another freely convertible currency should be in the amount equivalent to those specified under item 2 above and must be delivered at the offices of The Population Activities Fund Agency, 83, Badagry Street, Dolphin Estate, Ikoyi, Lagos on or before 12.00 noon, Nigerian Time, on January 11, 1996.

6. Bids will be opened in the presence of Bidders' representative who choose to attend at:
Time: 12.00 Noon Nigerian Time
Date: THURSDAY, JANUARY 11, 1996
Place: Conference Room
Population Activities Fund Agency
83, Badagry Street
Dolphin Estate
Ikoyi - Lagos
Nigeria.

NEWS: UK

Government under new "arms to Iraq" pressure

By John Mason and Kevin Brown

The British government yesterday came under renewed pressure over its conduct in the "arms to Iraq" affair when the Court of Appeal quashed the convictions of four businessmen because ministers had helped to suppress Whitehall documents indicating the men's possible innocence.

Lord Taylor, the Lord Chief Justice, ruled that the convictions of the four men over their attempt to ship artillery fuse equipment to Iraq were unsafe because they had been denied access to documents suggesting the government had "turned a blind

eye" to such exports. The court judgment concerned four men associated with Ordtec, an engineering company in Reading, Berkshire. It came three months before the publication of Sir Richard Scott's report into the government's handling of exports to Iraq and prompted renewed opposition calls for ministers to resign.

Mr Robin Cook, shadow foreign secretary, said: "Once again ministers have been caught out trying to cover up their role in the supply of arms to Iraq. The Ordtec businessmen have been acquitted but ministers are now in the dock."

Mr Michael Heseltine, deputy prime minister, admitted that the

issues raised by the judgment were "very serious". But he accused Labour of trying to exploit the ruling for the "narrowest and basest" of party political motives.

The judgment came as the government faced growing anger from its backbenchers over Mr John Major's decision to set up the Nolan inquiry on standards in public life which paved the way for tough rules on the disclosure of MPs' earnings.

At their trial in early 1992, the four men involved with Ordtec, Mr Paul Grecian, Mr Stuart Blackledge, Mr Bryan Mason and Mr Colin Phillips all denied breaching UK export controls. However, they were

denied access to Whitehall documents after ministers signed public interest immunity (PII) certificates. Denied the documents, the four men changed their pleas.

Lord Taylor ruled that the documents should have been produced at the trial. However, he declined to comment on the decision not to disclose them, insisting this was a matter for the Scott inquiry. Labour said the judgment increased the likelihood that the government will be seriously embarrassed by the findings of the inquiry.

Mr Cook demanded the resignations of ministers who signed PII certificates. He said the certificates

were "issued not in the public interest but for the convenience of the Conservative party."

Friends of Mr Peter Lilley, social security secretary, said he was unconcerned about the judgment. They said it indicated that the PII certificates signed by ministers, including Mr Lilley when he was trade and industry secretary, were not relevant to the conviction.

The Ordtec judgment comes as reports continue to circulate of a Whitehall "whispering campaign" designed to denigrate the Scott report when it is unveiled early next year. The Ordtec ruling is widely thought likely to weaken such

efforts and give greater political force to the criticisms expected to be made by Sir Richard.

Meanwhile, in a clear government attempt to head off threats from some Tory backbenchers to ignore the new rules on disclosure of earnings, Mr Heseltine told the Commons that MPs must obey both "the spirit and the letter" of the regulations.

As Downing Street officials poured unprecedented scorn on the government whips' failure to warn Mr Major of the danger of defeat, Labour demanded an extension of the Nolan committee's inquiry to cover funding of political parties.

Row over re-fit at nuclear dockyard

By Bernard Gray, Defence Correspondent

British Ministry of Defence officials have recommended that the £300m (\$471m) modernisation of Devonport dockyard to re-fit Trident nuclear submarines should not be handled by DML, the private company which runs the Plymouth yard, as previously announced, but should be completed by the MoD instead.

If the cabinet accepts the recommendation, it is likely to snuff out the privatisation of Devonport and prove a severe embarrassment for the government. Devonport was awarded the nuclear work, worth more than £2bn over the next 20 years, in a controversial competition with the Rosyth yard in Scotland in 1993.

The MoD has argued that it should retain the work because the price tendered by DML to upgrade the docks is much higher than the £236m quoted in the competition. While that comparison ignored some costs, the MoD does not feel it can justify the increases involved in using a private contractor as representing value for money.

Most of the increase arises because of the extra risks DML is being asked to take on in the fixed-price modernisation. There are also smaller increases resulting from rises in the costs of some nuclear equipment and extra work needed to meet new seismic standards.

Because the nuclear upgrade is central to Devonport's activities, officials do not regard privatising the yard as feasible if the MoD handles the most important work.

Mr Michael Portillo, the defence secretary, has been faced with a difficult political choice: to support a private sector option which officials do not think can be defended, or to back away from privatisation, damaging his right-wing credentials.

Uncertainty has delayed any announcement until after the Queen's Speech next Wednesday.

Bank of England attacked over Barings collapse

By John Gapper, Banking Editor

The way the Bank of England carries out banking supervision was strongly criticised yesterday by MPs in the wake of the collapse of Barings, the merchant bank, in February, from derivatives losses of \$880m (£1,303bn).

The treasury and civil service select committee, which includes MPs from all political parties, recommended that the Treasury should review the role of the Bank.

The committee may carry out a further inquiry into the Bank's handling of the Barings crisis next year.

The report increases the political pressure on the Bank of England over its supervisory role. Labour had indicated that it is likely to remove banking supervision from the Bank, allocating it to a new "banking commission".

The committee said in a report into the regulation of UK financial services it was "dismayed" at remarks by Mr Eddie George, the Bank's governor, indicating that his staff had little understanding of financial conglomerates.

It said the board of banking supervision's report into the collapse of Barings "raises considerable doubts about the effectiveness of the Bank" as a

supervisor, and supervision might have to be transferred to a new body.

The committee's report said "a free-standing" supervisor of banks and building societies had become "a not inconceivable development which has been given greater credibility by the events of the last few years."

The Bank responded that it "did not recognise" the committee's depiction of staff being unable to supervise or securities trading. It said it was already implementing reforms recommended in the Barings report.

The Bank disclosed that it had appointed consultants from Arthur Andersen to carry out a thorough review of its banking supervision department. The consultants would compare it with banking supervision in other countries.

The committee recommended the Treasury should take responsibility for all forms of financial regulation, taking supervision of Lloyd's of London and regulation of insurance from the Department of Trade and Industry. It said legislation should be introduced to abolish the right of financial services companies to direct regulation by the Securities and Investments Board, rather than by the appropriate self-regulating organisations.

Study finds 'weaknesses' in British hotels

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Britain's mid-price hotels offer better value than their French and German counterparts, but fall behind in the qualification levels of their staff and the amount they spend on refurbishment, according to the Confederation of British Industry.

The CBI, which yesterday published a benchmarking study of the industry based on 60 hotels, identified "significant areas of competitive weakness" within the British three and four-star hotel industry.

It found that only 20 per cent of British hotel staff have a vocational qualification compared to 65 per cent in Germany.

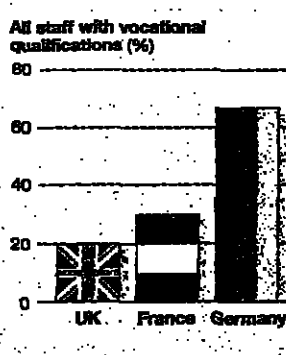
Staff turnover was higher at 33 per cent against 16 per cent in Germany and 19 per cent in France.

Britain's hotels invest only 8

Some room for improvement: how hotels measure up



Source: CBI Benchmark Study 1995



Source: CBI Benchmark Study 1995



Source: CBI Benchmark Study 1995

per cent of turnover on refurbishment compared to 14 per cent in France and 16 per cent in Germany. However, lower labour costs in Britain allow higher staffing levels, with a

ratio of 7 staff per 10 rooms against 3.4 in France and Germany.

Occupancy, at 70 per cent, is higher in Britain helped by a lower mean achieved nightly

room rate of £50 (\$78.50) against £28 in France and £21 in Germany. British hotels were also more profitable.

The growth of the British hotel industry is being held back by high construction costs and difficulties of getting planning consent. Sir John Egan, chairman of the CBI's Tourism Action Group, which aims to increase Britain's share of the worldwide growth in tourism, said: "We must tackle the problem of finding new sites, achieving planning permission and building new hotels cost effectively if we are to attain world tourism growth rates."

He said the CBI would work with the hotel industry in a best practice campaign to improve the competitiveness of British hotels.

BSkyB set for deal to televise rugby cup

By Raymond Snoddy

British Sky Broadcasting, the satellite television venture, believes it is close to a deal that would give it the right to broadcast the main European rugby union competitions including the Five Nations Cup.

BSkyB said yesterday that negotiations were "at an advanced stage" and although no sum has yet been agreed it is clear that around £100m (£157m) is likely to be involved with the final sum depending on the package of rights and length of contract. The satellite company is negotiating for the Five Nations, the Anglo-Welsh championship and a European championship for five

and possibly 10 years. If the deal is agreed it would greatly increase BSkyB's dominance of television subscription sports rights.

Mr Rupert Murdoch, chairman of The News Corporation already has a 10-year agreement for an annual Rugby Union competition in the southern hemisphere between Australia, New Zealand and South Africa. Mr Murdoch has also created a new "super league" for Rugby League clubs.

The news of the latest sports rights negotiations came as BSkyB yesterday announced results at the very top end of expectations for the three months to the end of September. Pre-tax profit more than doubled to £51m compared

with the same period last year, turnover rose 37 per cent to £214m and operating profit was up 36 per cent to £56m.

The net growth in subscribers of 214,000 in the quarter to a new total of 4.38m at the end of September was higher than expected. The news of a possible rugby union deal and the results pushed the BSkyB share price up by 16p to 386p.

If a deal is finalised with the Home Unions which control rugby union it will almost certainly not mean that all top class rugby union will disappear from the screens of the terrestrial broadcasters.

Under the agreement now being dis-

cussed BSkyB will hold all the television rights but would have to sell on some, at least, of the rights to the main terrestrial broadcasters, including the right to show live games as well as highlights.

The rugby union authorities are determined that their sport will continue to be seen by mass audiences, something a number of sponsors insist on.

If it seems likely BSkyB wins the rights package because of its financial fire-power and the need of rugby union clubs for money following professionalisation of the game, it will then hold "a beauty contest" between the BBC and ITV for the terrestrial rights.



Today's innovation could be tomorrow's relic. So we never stop developing leading-edge technology. Take our fighter, airlift and maritime-patrol aircraft. We start by listening closely to our customers. Then we deliver highly integrated solutions with advanced avionics and mission systems. While continually improving dedicated support services. The result? Aircraft to dominate the skies well into the 21st century.

LOCKHEED MARTIN
Mission Success

مكتبة العصر

'Poor leadership' in car parts sector

By Peter Marsh

UK managers' lack of leadership skills are behind the failure to adopt common-sense production techniques that can narrow the "overwhelming" quality gap between the Japanese and British car parts industry, according to the author of a government-backed report being published today.

Ms Betty Thayer, the associate partner at Andersen Consulting, a US-owned consultancy group, said yesterday that companies making vehicle components in the UK typically operated at one-hundredth the quality levels of their Japanese counterparts.

A big challenge was to educate UK managers.

"I've not been to a UK factory where the people on the shop floor are incapable of doing what needs to be done [to

match the Japanese], but I've met a lot of [UK] managers who are incapable of leading," said Ms Thayer.

She said that in spite of the gap many UK companies in the "second tier" of the supply chain - making parts for bigger companies which deliver to the carmakers - could improve by adopting simple techniques including standardising on assembly methods and forming closer links with suppliers.

Ms Thayer was giving a preview of a speech she will deliver at an industry conference in Birmingham today when she will report on a two-year "Learning from Japan" project backed by the Department of Trade and Industry and which she has directed.

The £450,000 scheme has put managers and shop-floor workers from 12 small vehicle components companies in touch with Japanese businesses in the

UK and Japan to help them pick up tips on improving production techniques.

At the Birmingham conference, Mr Tim Eggar, the industry minister, is expected to disclose new government initiatives to help the UK close the quality gap, for instance by promoting closer dialogue between big UK-based car makers and parts suppliers.

Ms Thayer said the 12 "second tier" companies in the project were typical of the 3,000 or so similar businesses operating in the UK. These groups spend much of their efforts supplying about 50 big "first tier" supply companies which feed the car makers.

Most of the second-tier businesses faced an "overwhelming" quality gap compared with equivalent Japanese companies. The ratio of defective to good-quality components was about 100 times bigger for the UK.

However the "Learning from Japan" programme had shown that companies could narrow the gap by adopting an orderly approach to improving aspects of production such as machine setting or assembly procedures. "The importance of the project is that it has helped the companies to focus their activities and give them the confidence that they can do more," said Ms Thayer.

Of the 12 companies, three were now supplying parts to Japan while none of them had done so at the start of the project. All 12 had increased productivity, in some cases by large amounts. It was essential for the health of the UK car industry for the second-tier companies to improve because without this the first-tier businesses would have to spend time and money correcting defects which damaged the sector's overall competitiveness.

Companies keen to learn from Japan

Mr Jim Johnson likens his links with Japanese companies to mountain climbing. "Going up is agony, but you get a nice view at the top."

Mr Johnson is managing director of Stadium, one of 12 UK car component businesses which have participated over the past two years in the "Learning from Japan" programme - a Department of Trade and Industry-backed initiative to speed up the flow of ideas between the Japanese and UK car industries.

Based in Hartlepool, privately-owned Stadium makes plastics and electronic components for companies including Nissan and Toyota, two Japanese carmakers with plants in the UK.

Stadium supplies these companies either directly, or by selling components to bigger automotive parts groups including Johnson Controls, TRW and Ikeda Hoover, which use the parts in sub-assemblies which they sell to the Japanese groups.

Stadium expects to turn in a £4m profit on sales of more than £50m this year. Since 1988, when it made a pre-tax loss of £500,000 on sales of £17m, it has increased its workforce from 730 to 1,000, with 600 of them in Hartlepool, an unemployment blackspot.

One of the main reasons for the improved fortunes of Stadium - which intends to go

public next year - is its application of ideas derived from its Japanese customers, according to Mr Johnson.

Stadium says it has benefited from exposure to Japanese manufacturing practices both through its routine dealings with Nissan - it delivers parts such as interior mouldings to the company's Sunderland plant four times a day - and through visiting components companies in Japan as part of the DIT scheme.

"The Japanese have a common-sense approach," says Mr John Pearson, head of Stadium's plastics division. "What they do is not rocket science - their equipment is no better than we have. Their secret is the way they control processes and their involvement in detail."

One lesson for Stadium concerns standardisation of production processes. Mr Mike Unsworth, a shift supervisor at the Hartlepool plant, illustrates this by referring to a finger-sized component - one of hundreds of parts Stadium produces - which the company's operators assemble from seven plastic pieces. The component ends up as part of a head rest in Nissan saloons.

Five years ago Stadium taught its operators to assemble this component using a set of headings written on a sheet of paper. The instructions are now much more detailed, occupying three sheets crammed



Mark Rimmances and John Pearson of Stadium with one of their injection moulding machines

with writing and drawings. "Nissan showed us that if you standardise how you make products according to a method which has been shown to give good results, then you can reduce defects to a very low level," says Mr Unsworth.

People react to this accent on ironing out differences in a mixture of ways. "If you make parts in the same way over and over again to reduce defects, it makes the job easier," says Mr Shaun Pugh, an assembly worker who has been with Stadium nine years and who he says the Japanese-inspired changes have been positive.

Production workers also

have the chance - if they feel a standard procedure can be improved - to propose changes which, if accepted, will become adopted in manufacturing blueprints.

But, according to Mr Pearson, the emphasis on following procedures is not always welcomed on the shopfloor. Some feel this removes scope for improvisation.

"On plastics moulding machines, in the UK you have a tradition of operators twiddling with the controls and following their own procedures to make a specific part. There's a certain amount of resentment when you try to get them all to

follow a standardised approach," he says.

A second lesson has been to look for small scale improvements to processes which, if multiplied dozens of times, lead to big cost savings.

"European companies try to improve [their processes] in big jumps," says Mr Pearson. "The Japanese are looking for little benefits all the time."

Working with Nissan, says Mr Johnson, has been particularly rewarding, with the company providing Stadium with what amounts to free consultancy by sending its engineers to Hartlepool for weeks at a time to teach new skills.

UK NEWS DIGEST

Microsoft in probe on pricing

Britain's Office of Fair Trading has asked the European Commission to investigate pricing complaints by British personal computer manufacturers against Microsoft, the US software group.

The Personal Computer Association, which represents many smaller UK-based PC manufacturers, lodged a complaint with the OFT in early October claiming that its members had to pay up to 60 per cent more for some Microsoft software than their large US-owned rivals with manufacturing operations in Ireland.

Yesterday the OFT confirmed that the complaint had been forwarded to the EU because it fell outside the scope of British competition law. "We thought it was more of an EC matter," the OFT said.

Microsoft Office dominates the market for suites of office software packages and is included with many new computers.

However the Association claims British computer manufacturers have to pay more for the software than their US counterparts with operations in Ireland which sell direct to customers in Britain and elsewhere in Europe. Microsoft declined to comment on the complaint.

Paul Taylor

BP keeps spending

British Petroleum yesterday said it would maintain its exploration and appraisal spending in the deep water west of the Shetland Islands in spite of the "tricky" geology it has encountered in the UK's newest oil province.

Mr John Browne, BP's chief executive, said "great care" had to be taken in the area because of complex geologic conditions. He said success required the use of the most sophisticated seismic techniques available to the international oil industry.

BP has been in the forefront of exploring the area, which many companies believe holds out the last hope of finding big oil fields in UK waters. But there was disappointment about an apparent lack of drilling success last summer in spite of intense activity.

Mr Browne yesterday noted that the UK oil industry spent a total of £1bn before making its first discovery in the area. BP yesterday confirmed that it has fully appraised the Schiehallion field in the area, and is working on a development plan that could result in first production in late 1997 or in 1998. The company is also developing the Foinaven field.

Robert Corzine

Business confidence low

More company directors are pessimistic than optimistic about the UK economy for the first time since the pound left the European exchange rate mechanism in 1992.

The Institute of Directors' latest two-monthly survey shows that business confidence has fallen to its lowest level for three years amid signs that fewer companies intend to raise output and that profits are falling.

Political uncertainty and evidence of slower economic growth were cited as important factors which were undermining confidence. Directors said they were also concerned about the levels of government spending and taxes.

The survey shows that 28 per cent of company directors were more optimistic about the economy than they had been six months ago. But 30 per cent said they were less confident, up from 28 per cent in the last survey.

This continues the steady decline in confidence which has taken place since the autumn of 1993. But it is the first time that the percentage of pessimists has exceeded that of optimists since September 1992. Graham Bowley

Boost for Lloyd's

Underwriting capacity at Lloyd's of London will not fall next year as much as feared, despite uncertainty over the insurance market's future, according to revised forecasts published yesterday.

A drop in world insurance premium rates, which threatens to erode profits, was also expected to contribute to a steep fall in capacity in 1996. Forecasts published in July suggested a fall of as much as 16 per cent. But Lloyd's said yesterday that agents acting for members, and other advisers, now expect the amount of business that Lloyd's can underwrite will drop by less than 9 per cent from £10.2bn this year to £9.3bn in 1996.

Lloyd's underwriting capacity is calculated as a multiple of the capital supplied by investors.

The latest figures came as the largest corporate investor at Lloyd's increased its forecast for profits earned in 1994. London Insurance Market Investment Trust (Limit) said it anticipates a return on capacity of about 9 per cent compared with earlier forecasts of 7 per cent. That is before taking account of the impact of Lloyd's recovery plan which is due to be implemented in May. Ralph Atkins

Aid use criticised

The National Audit Office, the government's accounting watchdog, has criticised the management of several health and population projects funded by the Overseas Development Administration, and has called on it to improve its overall planning and monitoring procedures.

In a new report today the NAO says that of 16 projects examined in India, Pakistan, Kenya and Zimbabwe, only nine were likely to meet their objectives. Three would only partially achieve their goals while two "were likely to have little impact" as a result of problems with financial management, poor procurement policies and inadequate planning, targeting and monitoring.

To correct this, it calls for "clear, appropriate, project-specific objectives to be set at the design stage and for relevant data to be collected during and after the project."

Between 1988 and 1994 the ODA spent \$911m on such projects, including spending on emergency relief, mainly in Asia and Africa. Mark Suzman

Think global. Act local. That's our idea of a new Business-Banking style.

By specialists exclusively concerned with your specific finance problem.

Backed by the world's highest financial status rating, the "Triple A".

Whether structured financing for projects in Southeast Asia, or asset management in Switzerland. We get the job done for you - anywhere.

Just as global as local: The new style of Business-Banking.

Helaba

Closer to business.

Landesbank Hessen-Thüringen
Girozentrale Frankfurt/Erfurt

Finanzgruppe

BUSINESS AND THE ENVIRONMENT

Wildlife reserves are becoming big business in South Africa, reports Scheherazade Daneshkhu

The conservation game

Adrian Gardiner, millionaire owner of South Africa's biggest private conservation wildlife reserve, used to hunt antelope. Now he says he would not kill a spider and is spearheading one of the country's most ambitious conservation projects.

Over the past five years he has been reintroducing wildlife and flora which have long disappeared from the eastern Cape region, where his Shamwari wildlife reserve on 13,000 hectares of former farmland is located.

It was opened to tourists three years ago when Long Lee Manor, an Edwardian manor house on the estate, was converted into a hotel. Shamwari Lodge, an "African-style" five-star hotel of separate bungalows, opened this summer to accommodate a growing number of visitors to the reserve, all of whom are thanked on arrival for their personal contribution to helping conserve a vanishing way of life.

At first glance, the project seems perverse. No one associates the eastern Cape region in the south west of South Africa with wildlife; the main nature reserves, including the famous Kruger national park, are mostly in the east.

"Our main difficulty has been to convince the public that this is a game destination," confirms Gardiner. The location has the advantages of being malaria-free and close to the main tourist destinations of Cape Town, the wine regions and the garden route. The overnight luxury African rail safari links Johannesburg to Shamwari.

South Africa's largest wildlife



The Shamwari wildlife reserve in the eastern Cape has reintroduced white rhino (pictured), black rhino, giraffe, zebra, lions and elephants into the region

life - lion, rhino, buffalo, elephant and leopard - were documented for the first time in the eastern Cape. For the settlers who came to South Africa in the 18th century the region was a hunter's paradise.

Gardiner says the spur to his project came when he was researching the history of the region after he bought his first derelict farm in Shamwari. "I was shocked when I read about the wildlife that was here and what man had destroyed," he says. "By 1880 the black rhino and the lion had been destroyed, there were only 11 elephants left and we'd been here only 40 years."

With his own money and a low-interest eco-tourism loan from the Independent Development Corporation, Gardiner began his project to put back what had been taken away.

The surrounding farmland, much of which had been abandoned because of overgrazing and drought, was gradually bought up and the whole area fenced off to allow grass to grow back on the overgrazed areas.

Repairing the erosion damage is a long-term project since all seven ecosystems on Shamwari have been extensively degraded by overgrazing. No new access roads have been

built although a few roads for safari drives and for linking the farms have been constructed.

White rhino, the endangered black rhino species, giraffe, zebra, lions and elephants have all been brought in along with a large variety of antelope species. The total investment stands at £3.5m-£4m.

This year internally-generated revenues will cover operating expenses for the first time but for the project to be self-financing, Gardiner says, it needs 70 beds instead of the current 48. The value of animals, some of which have bred,

has doubled in the past five years to R20m (£200,000).

"He'll never get his money back in his lifetime," says one of the rangers, who jokes about the outsiders who regarded Gardiner as mad for having started the Shamwari project which has now been submitted to the Tourism for Tomorrow environmental awards sponsored by British Airways.

"But then he regards this project as his legacy - his contribution to the future."

Although there is no hunting at Shamwari, Gardiner does not find it ironic that he used to be a hunter. "We nature conservationists have at some

time or other been involved in hunting." He believes hunting can play a part in conservation when it is done in a controlled way, because the high income it generates can then be put back into the environment.

South Africa is one of the few countries in the world to still have elephant, rhino, lion, leopard and buffalo and to allow them to be hunted as trophies. About 5,000 wealthy hunters, most of them from the US, visit South Africa every year and spend an average of £5,000 per trip.

Perhaps the most hard-headed approach to conservation is taken by the Johannesburg-based Conservation Corporation, which operates four luxury wildlife reserves in South Africa and counts the direct investments arm of bankers Hambros, the Getty family trusts and the AECI pension fund, part of the Anglo-American corporation, among its 40 shareholders.

Its objectives have been to buy up degraded land, usually used for cattle farming or crops, rehabilitate it, restock it with animals and charge tourists high prices for superb accommodation and wildlife viewing.

For Howard Geach, director, the economic logic is simple - the gross returns per hectare from wildlife tourism are much higher than any other land use. "Very roughly, you can expect returns of R50-80 per hectare per annum from land under cattle, R250 from dry land cropping and R700-1,000 from tourism."

At Phinda, the ConsCorp reserve which best embraces its approach, the company has raised funds for development projects for local communities, including a R650,000 clinic, preschooling programmes and water and sanitation projects.

Les Carlisle, Phinda's regional development manager, is the first to admit that the main motivation for these projects is not altruism but basic survival. He describes it as a "brutally commercial approach to conservation" which involves "addressing your biggest threat" to ease the hostility of the local communities to the conservation authorities.

The approach is fast gaining ground in South Africa. Southern Sun, the country's largest hotel operator, this year entered the wildlife lodge industry with its Sun Game Lodge division; it espouses community involvement as paramount to success.

"If we don't involve the local communities, they will eat the animals and rob the tourists," says Carlisle. "They are starving subsistence farmers. We've taken white-owned cattle farms, filled them with animals, created a lot of employment and we want to integrate those communities with the park."

Caught in the nitrate zone

A new European directive is angering farmers, writes Deborah Hargeaves

One third of the Norfolk farmland under management by Brian Reynolds at Barton Bendish Farms could be worth up to £200 per acre less than the rest of his holding next year, if the government presses ahead with rules to establish nitrate vulnerable zones.

These zones will cover up to 1.6m acres or 6 per cent of the agricultural land in England and Wales and will impose restrictions on the way producers can farm them. The 72 zones are being established to comply with the European Union's nitrates directive which aims to cut the level of nitrates in drinking water.

"It is putting a blight on our land. We are having our property devalued with effectively no compensation," Reynolds says. Around 1,000 acres of the 3,000-acre arable farm under his management is included in a vulnerable zone while the rest will remain outside.

Future purchasers of farmland are more likely to buy a holding outside a zone rather than one classed as vulnerable which could be subject to increasingly stringent restrictions. Intensive livestock farmers across Europe will be hardest hit by the European Union directive. A report by the US Department of Agriculture predicted that livestock herds would have to be cut by 65 per cent in the Netherlands, by 28 per cent in Belgium and by 9 per cent in Denmark by 2000 once the nitrate rules are in place.

The Danish government is considering a nitrogen tax on fertiliser. Already Danish farmers must have land in proportion to the amount of manure they want to dispose of, or must be able to show contracts for disposing of slurry on neighbouring farms, according to Niels Rosing, a pigs and cereals farmer in Ballerup.

Farmers complain that the nitrate rules are arbitrary and that the Commission's requirement to cut nitrates in the drinking water to 50mg per litre is unnecessarily stringent.

Roy Goodwin, a Suffolk farmer, says that many intensive pig producers will find it impossible to carry on farming as they are. "Some will undoubtedly have to get rid of some of their animals or completely change their farming system and the benefit to the public is very dubious," he said.

The Country Landowners'

Association is pressing the government to agree to compensation for producers worst affected by the directive, such as small livestock farmers who traditionally spread their surplus manure on the land. Nitrates leach into the water system from artificial fertilisers and manure.

If small UK farmers are forced to cut manure spreading, they will need to find ways of disposing of it elsewhere, or could be forced to reduce their stock to uneconomic levels.

For arable farmers, inclusion in a zone will mean sticking to good agricultural practices. But Walter Lane, whose 340-acre Staffordshire farm is included, fears that, once established, the rules will get tougher.

In addition, he is concerned about nitrate deposits from air pollution over which he has no control. Lane appealed to the Department of the

Lane believes much of the pollution leaving his farm is deposited from the atmosphere. But his objections were not upheld

Environment over his inclusion in a zone because he believes much of the pollution leaving his farm is deposited from the atmosphere. But his objections were not upheld.

Last week, the Department of the Environment published a report which had considered 87 appeals from angry farmers over their inclusion in a zone. However, it recommended only seven boundary changes in spite of many complaints from farmers about flawed sampling procedures to test groundwater on their land.

The National Farmers' Union is currently considering its response to the report, but says that producers remain annoyed. Officials say there are small dairy farmers that face losing their businesses if the zones are implemented.

The Commission has said it may look again at the directive with a view to making changes, but has so far resisted this. The DoE said it expects to enshrine the boundaries of vulnerable zones in legislation by early next year.

CROATIAN INSTITUTE FOR HEALTH INSURANCE HEADQUARTERS

Zagreb, Margaretska 3

SPECIAL PROCUREMENT NOTICE FOR MEDICAL EQUIPMENT

- The Republic of Croatia has received a loan No. 3843 - HR from the International Bank for Reconstruction and Development (World Bank) in various currencies towards the cost of the Health Project and it is intended that a part of the proceeds of this loan will be applied to eligible payments under the contract for medical equipment.
- Purchaser: Croatian Institute for Health Insurance, Headquarters, Zagreb, Margaretska 3.
- The Croatian Institute for Health Insurance now invites sealed bids from eligible bidders for the supply of medical equipment packages.

Package 1.01 Medical equipment for perinatal care

	Quantity
1st Lot	
1. General purpose ultrasound scanner	11
2. Middle class GP ultrasound scanner	6
3. Cardioclograf	10
2nd Lot	
1. Phototherapy lamp	19
2. Reanimation table	7
3. Neonatal monitor	10
4. Transport incubator for ambulance	4
5. Transport incubator without respirator	13
6. Standard incubator	13
7. Intensive care incubator	4

3rd Lot	
1. Microinfusion pump	11
2. Bronchial aspirator	4
3. Neonatal suction pump	7

Package 3.01 respirators for intensive care units

	Quantity
1st Lot	
1. ICU Respirator with basic performances and humidifier	50
2. ICU Respirator with advanced performances and humidifier	40
3. ICU Respirator with advanced performances, humidifier and compressor	40

Package 6.01 Medical equipment for intensive care units

1st Lot	
1. ICU compact monitor	40
2. ICU modular monitor	20
2nd Lot	
1. ICU oximeter/capnograf	80
3rd Lot	
1. ICU Hemodynamic monitor	60

- The bidders could be legal entities registered for production and/or trade distribution of the equipment, specified in Article 3. of this Invitation in the Republic of Croatia or abroad.
- Interested eligible Bidders may obtain further information from and inspect the bidding documents from October 30, 1995, during working hours 9 - 14, at the office of:

Hrvatski zavod za zdravstveno osiguranje, Direkcija
(Croatian Health Insurance Institute, Headquarters)
Margaretska 3, Zagreb, 1st floor, room 2A
Phone: 385-1-425-666/21.421-265
Fax: 385-1-425-071

- The Bidding documents for each of the packages as listed in article 3., may be purchased by any interested eligible bidder on the submission of the written application to the above and upon payment of a non refundable fee of USD 200 to the account at PRIVREDNA BANKA ZAGREB, 30101-620-37-7022-0682800-3838, or equivalent amount in HRK at the medium exchange rate of National Bank of Croatia, effective on the day of payment, to the amount 30102-640-609 in favour of Croatian Health Insurance Institute, Headquarters, Margaretska 3, Zagreb.
- All bids must be accompanied by a bid security of 2% of the total bid value in a form of bank guarantee, and must be delivered in sealed and closed envelopes on or before the time stated in the specific bidding document for each package to the following address:

Croatian Institute for Health Insurance, Headquarters
Margaretska 3, Zagreb
Admissions office II floor, room 13,
With note "BID FOR (mention the name of package of equipment) - DO NOT OPEN".

- Bids will be opened in the presence of Bidders representatives who choose to attend bid opening at the time and day as mentioned in each individual bidding document on the address Croatian Institute for Health Insurance, Headquarters, Margaretska 3, II floor - conference room 1, Zagreb.

Hobart Financial Advertising

The specialists for tombstone advertising

For further information please contact Stephen Wright

Hobart Financial Advertising Limited
Coppergate House
16 Brune Street
London E1 7NJ

Tel (44) 71 721 7788

Fax (44) 71 721 7786

The Grootvlei
Proprietary Mines
Limited
(Registration number 012222222)

Stifffontein Gold
Mining Company
Limited
(Registration number 052211222)

Randgold & Exploration
Company Limited
(Registration number 002222222)

Burfieldfontein Gold
Mining Company Limited
(Registration number 022222222)

Unisel Gold Mines
Limited
(Registration number 701222222)

Harmony Gold Mining
Company Limited
(Registration number 022222222)

(All companies are incorporated in the Republic of South Africa)

Cautionary announcement

Shareholders are advised to exercise caution in dealing in the shares of any company mentioned above, until full details are disclosed early in 1996.

Copies of the full announcement are available on application to: Gencor (UK) Limited, 30 Ely Place, LONDON EC1N 6UA. Telephone +44 171 404 0873
8 November 1995

ARTS

Television/Christopher Dunkley

Fish pie and poltergeists

The direct descendant of the 1953 series *Animal, Vegetable, Mineral* is the current series *Have I Got News For You*. Discus. The answer, of course, is yes, quite true.

Instead of the academics, Mortimer Wheeler and Glyn Daniel, we get comedian Paul Merton and journalist Ian Hislop. Instead of being on BBC2, the 1953 programme was simply "on television" because there was only one channel (run by the BBC) at that time. There are other respects in which the programmes are remarkably similar: two teams of two, each consisting of a regular participant and a guest, sit in a studio and compete in a quiz. In 1953 the mystery objects were archaeological artefacts and museum items. In 1995 they are newspaper headlines and photographs. But there is a distinct difference in tone. Memory suggests AVM they tended to be of the sort that you might hear in an Oxbridge senior common room. On *HIGNFY* the wit is often aimed fairly low and directly at the opposite team, as it was last week.

Hislop decided not to treat Paula Yates like a second Vera Lynn, but to mock her for the heavily publicised events in her "private" life: the breast enlargement operation, the affair with a pop star, the

autobiography written in six days to pay for a new home. Yates, who had herself provided all the ammunition, acted deeply hurt and the audience, in a sign of the times (or perhaps a sign of the sort of people who apply for tickets to TV quiz shows) sided with her and against Hislop.

Today there are quiz shows on almost any subject: antiques (*Going Going Gone*), television itself (*Telly Addicts*), nostalgia (*Today's the Day*), domestic knowledge (*Housemates*), words (*Countdown*), (*Trivial Pursuit*) and many more. Although they may be the direct descendants of *Animal, Vegetable, Mineral* the approach is significantly different. In the days of AVM broadcasting was still supposed to do good, so entertainment was used to wrap up information, and even education. It is said that the Queen both enjoyed and approved of it.

We are not told what she thinks of *HIGNFY* but it is not difficult to imagine. Today's shows make no pretence at conveying information, let alone education. It

is hard to think of anyone who might feel themselves better informed for knowing the missing word in a headline from last month's *Pig Breeders' Gazette*. Entertainment is now the sole aim, and studio shows of all sorts, not only quizzes, are being produced in their scores, even their hundreds, because they are one of the most cost-effective forms of television ever invented. Soon, presumably, they will be produced in their thousands, because few other programmes, apart from repeats, will be cheap enough to fill the vast space available once we have digital television.

You can see the way things are going simply by looking to the margins of the existing system where budgets are tightest. Take a glance at cable programmes, or daytime terrestrial television, and you will find hour after hour filled with permanently smiling people perched on studio sofas as they discuss orgasms, fish pie and poltergeists. Very often the discussion is not with a professional who would

cost money but with a member of the public on the end of a telephone line. In the versions where a "personality" orchestrates a discussion on child abuse, aromatherapy or butlers, between a bunch of guests and a studio full of "ordinary" people - *Kilroy*, *Esther*, *Oprah*, *Crystal Rose*, *Vanessa* and so on - the costs are doubtless a bit higher, but still tiny when compared to documentaries, drama, or even sport. It would be absurd, of course, to dismiss all studio shows as cheap, mindless rubbish. In some instances they have come about because they were the best way of providing a certain sort of material or solving a particular problem.

You can imagine how, when *Line Up* ended in the early 1970s, people at the BBC would have said "Couldn't we have a weekly programme devoted to current films?" The result, nearly a quarter of a century later, is *Film 85 with Barry Norman* which continues to do a better job than any of its imitators. On the other

hand it is extremely difficult to imagine anybody saying, "What we really need is a series where Jonathan Ross can affectionately take the mick out of schlock cinema." Presumably the lad - sorry, man - himself thought up *Mondo Rosso* and sold it to BBC2.

Something similar must surely have happened to bring us *Street Porter's Men*, because it is equally hard to believe that anybody at the commissioning end said "Wouldn't it be terrific to get a succession of forgettable guys chatting in a desultory way to Janet on a studio set got up to look like a dining room out of Woman's Own." It will be interesting - well, that is putting it a bit strong - to see whether Clive Anderson turns up on one of the last two programmes in her series, given that she (and incidentally Paul Merton) were guests on *Clive Anderson Talks Back* only a week ago.

There are subjects which are difficult for television to handle except by using a studio full of talking heads, notably polit-

ical theory. *Question Time*, which soared briefly when Robin Day flew it by the seat of his pants, has since become a bore with its predictable party slanging matches and its insistence upon casting for gender before talent. Yet the BBC is probably stuck with it, at least until some other way can be invented for getting politicians onto BBC1 for an hour before midnight. *The Midnight Hour*, which has returned to BBC2 with 30 minutes of round table political discussion, is now looking a better proposition. Some of the tricky studio dressing has gone, so that the set looks less like a third rate brothel, and the draft rule that men but not women remove their jackets has been abandoned. Here, without "ordinary members of the public" to slow things down, you get discussion between politicians and political journalists which can be robust and at times heated.

Last week James Le Fanu and Peter Bottomley got quite shirty with each other and words such as "condescending" and "facetious" bounced across the table, though presenter Trevor Phillips never actually lost control. The trouble is that all the signs point not towards more programmes of this sort but towards sofa shows, agony aunts and above all quizzes. Now Professor if you'd care to take this small terracotta object in your hand...

Theatre/Alastair Macaulay

'Country Girl' too low-key

It is hard on the American playwright Clifford Odets (1906-63) that he made his early reputation for plays in which social realism pushed towards socialist propaganda.

Even if his 1930s plays are seldom revived these days, we know that they paved the way for the social criticism and message theatre of the next American generation of playwrights. But while Arthur Miller et al. were building on Odets' early achievements after the war, Odets himself seemed to be involved in a volte-face. His later career included the very un-socialist Hollywood and almost 20 films; and in 1932, alas, he named names to the Un-American Activities Committee.

But if Odets failed as a good socialist, he went on showing as an artist. That this is true is shown by the Greenwich Theatre's revival of Odets's 1950 play *The Country Girl*. How well, this revival reminds us in particular, Odets wrote for women. The play shows us an off-stage triangle - the director of a new play, the alcoholic actor whose career he resurrects and the actor's wife. It shows us how the actor's wife, Georgie Elgin, suffers from two kinds of misogyny: the scapegoating whereby her husband tries to make her the excuse for all his misdemeanours and the unquestioning blame that the director casts on her for her husband's problems. Georgie is not, however, seen as a victim but as a tough-minded woman who earns the love of both these men.

At Greenwich there is a discrepancy between actors and the play. The big confrontations do not come off; the temperature stays too tepid. Careful listening to the dialogue should show anyone that the director Annie Castledine has allowed her actors to play Odets' lines too low-key. The lines tell us that these people are highly intelligent and beautifully ironic - "I'm fairly level-headed, making allowances for my sex." "This is the face that once turned down radio work." "Don't minimise what I say by agreeing with me" - and, at times, explosive; but

those qualities are not foremost in these performances. And the nervous tension, the inner conflict, the American wit, the sudden brief flares of lyricism - all of which are such fine features of Odets's work here - are soft-pedalled.

When this play was first performed in London (under the title of *Winter Journey*), in 1952, the alcoholic actor Frank Elgin was played by Michael Redgrave. "The best serious performance he has given us for years," Tyrann called it. Since this year has seen the publication of M. Redgrave's biography by his son Corin, the fact that C. Redgrave now plays the role of Frank is a rather heavy-handed dynastic connection.

Though Redgrave fits begins well by suddenly showing us, in a rehearsal scene, just how much authority Frank can command in a role, the play goes on to tell us that Frank is a much more interestingly neurotic man, more canny and more sensitive, than C. Redgrave's performance. As the director, Daniel Stewart has an appealing drive, though at times he seems more to be playing an American character. Kika Markham does not have the beauty that other characters attribute to Georgie, nor can she handle her big outburst against the director. Much of her playing is, however, sensitive, and her stillness is very telling.

The production, despite any flaws, has the great merit that everyone onstage focuses attention perfectly on one another. It begins like any old backstage drama, with the clichéd questions - "Will the show go on? Will the old actor bring off his comeback?" Those questions help to give the play suspense but by the time it has got around to answering them, we hardly care. For *The Country Girl* goes on to ask much more delicate questions about immature men and a mature woman. It does not answer all of these questions and that is part of its wisdom.

At the Greenwich Theatre until December 9.



Off the boil: Corin Redgrave and Kika Markham in 'The Country Girl'

Theatre/David Murray

'Silverface'

People often remark that the tiny Gate Theatre supplies a disproportionate share of exciting theatre in London.

Silverface, by Ramón María del Valle Inclán (1866-1936), is a case in point: a fascinating, idiosyncratic play by a Spanish dramatist well worth discovering, directed by David Farr with imagination and panache, excellently designed and lit by Sarah Blenkinsop and Paul Russell, and played by a high-quality cast of 15.

This is another bold but fastidious choice of repertoire, and of a director with the wit to make use of the space the Gate can offer, which is restricted but remarkably polymorphous. This time we sit on three sides of the stage, which looks bare but springs many surprises in the play's two hours - trapdoors, a lurid under-stage glow, primitive speaking puppets as the peasant chorus.

Silverface, one of several Valle Inclán plays about the monstrous patriarch Don Juan Manuel de Montenegro and his

fractious sons, is set in his native 19th-century Galicia: still almost feudal, fetid with pious superstition and baronial arrogance.

It begins with a face-off between the grandees, who have decided to deny local herdsmen the right to cross his land, and the angry, thwarted community and their Abbot.

So far, so much like *Fuente Ovejuna*; but more particular passions soon boil up, sketched by Valle Inclán in swift, modern strokes.

Don Juan lusts after demure Sabelita, his foster-daughter from the Abbot's family - but so does his son "Silverface" (the village girls think him irresistibly pretty). While the erotic tensions burgeon, intercut with seamy low-life vignettes, Don Juan grows into the very modern image of his archetypal namesake: driven and yet sardonically detached, hard-headed but prey to existentialist despair. It is all splendidly reckless, colourful, unexpected, and Farr's production does it proud.

A sequel, *Ballad of Wolves*, is to follow at once. The translations are by the Irishman David Johnston, without Oirishry but with many a telltale turn of phrase, which the Irish-leaning company obviously relishes; and there were parallels between Galicia and Ireland, out on the demented fringes of old Europe.

The embattled patriarch and abbot are cleverly cast as near-doubles, Donald Sumpter and Peter Marinker. If the Sabelita, Tonia Chauvet, looks quite lovely but leaves us too much in the dark about how she feels, Tony Curran's Silverface is a ginger-haired, whey-faced boy who could scarcely look less like an aristocratic Spanish whelp, but he lends him palpable flesh and blood in his own terms.

The small-part playing is sappy and canny. Everybody is having so much fun that the final black eruptions come almost as unprepared surprises; but that is only a small caveat.

At the Gate, Notting Hill, London until November 25.

Music

LSO homes in

Jiří Bělohlávek led a complete performance of Smetana's *Má Vlast* cycle at the Barbican last week.

He did the same thing to admiration at the Royal Festival Hall two years ago - but that was with the Czech Philharmonic; last September he added the principal guest conductorship of the BBC Symphony to his portfolio, and this time he was appearing with the London Symphony.

An interesting experiment: how would a British orchestra sound, even under a Czech conductor, in such patriotic Bohemian music?

The Czech Philharmonic has, among many virtues, the gift for playing simple music simply, but like Czechs: which is to say, they know how to intone the chorales and cavort in the polkas with immediate conviction, and no self-conscious art.

That becomes *Má Vlast* ("my homeland"), for all its component parts are as public and

"popular" as Smetana could make them. To the point, indeed, where a really wholehearted performance must make non-Czechs feel some what excluded: we can hear that deep, folkloric chords are being struck, where we are only tourists.

We felt that even more with the Czech Philharmonic, partly because the instrumental sound they cultivate - especially from horns, clarinets and bassoons - still retains the loamy "natural" timbres of Mittel-Europa.

Nevertheless the LSO played up well. Bělohlávek is plain, firm and forthright with *Má Vlast*, and the London players matched him. There have been more artfully charming accounts of the *Vltava* river-scapes ("The Moldau"), as we used to know it, because Czech composers used to depend upon German publishers, but in the context of the whole cycle they would stick out uncomfortably.

Bělohlávek rode the river swiftly and cleanly, letting Smetana's orchestral colours for the picturesque episodes speak for themselves.

He made the *Sárka* tone-poem, about a lethal Amazonian man-bater, unusually sharp and vivid, and with *Tábor* he forced us to hear just how stark and genuinely strange that piece is, as if Smetana had just discovered Mussorgsky's astonishing "Catacombs" in the *Pictures* and found his imagination enflamed.

Elsewhere, one sometimes missed the exotically homely sound of the Czech band; it lent continuing appeal to all those places where Smetana felt the need to say exactly the same thing twice, or six or eight times, or - as in *Vyšehrad* - 60 or 80.

By the end we were well braced, and just a little battered.

D.M.

INTERNATIONAL ARTS GUIDE

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Collegium Vocale: Philippe Herreweghe conducts Purcell's *Antheims*, *Anthems* and *Harmonies*. Soloists include Deborah York, Robin Blaze, Peter Kooy and Adrian Peacock; 8pm; Nov 9

BALTIMORE

CONCERT
Joseph Meyerhoff Symphony Hall Tel: 1-410-7538000
● Baltimore Symphony Orchestra: with conductor David Zinman and pianist Ignat Solchenitsyn perform Beethoven's "Piano Concerto No.2" and Shostakovich's "Symphony No.8"; 8.15pm; Nov 9, 10

BARCELONA

CONCERT
Palau de la Música Catalana Tel: 34-3-3171098
● Orquestra Filharmónica de Cambra de Barcelona: with

conductor Ernest Martínez Izquierdo perform works by Mozart; 9pm; Nov 29
● Orquestra Simfònica de Barcelona i Nacional de Catalunya: with conductor Jaume Loughran and pianist Albert Guinovart perform works by Beethoven, Chopin and Dvorák; 8pm; Nov 10, 11 (7pm), 12 (11am)

BERGEN

CONCERT
Grønland Tel: 47-55-216100
● Bergen Filharmoniske Orkester: with conductor Yehudi Menuhin and cellist Leonid Gorokhov perform Grieg's "Two Elegiac Melodies", Elgar's "Cello Concerto" and Mozart's "Symphony No.39"; 7.30pm; Nov 9

BORDEAUX

DANCE
Grand-Théâtre de Bordeaux Tel: 33-53 10 18 93
● Elektra: by Theodorakis. In a choreography by Jean-Charles Gil and performed by Icareus and the ballet of the Grand-Théâtre de Bordeaux (first performance); 8.30pm; Nov 9, 10, 12 (2.30pm), 13, 14

DETROIT

CONCERT
Detroit Orchestra Hall Tel: 1-313-833-3362
● Detroit Symphony Orchestra: with conductor Marek Janowski perform Schubert's "Symphony No.5" and Mahler's "Symphony No.5"; 8pm; Nov 10, 11 (8.30pm), 12 (3pm)
● Detroit Symphony Orchestra: with

conductor Neeme Järvi, soprano Jayne West and violinist Maxim Vengerov perform the "Violin Concerto No.1" by Shostakovich and excerpts from Grieg's "Peer Gynt"; 8pm; Nov 30; Dec 1 (10.45am), 2 (8.30pm)

DUBLIN

CONCERT
National Concert Hall - Geórgios Násifórtis Tel: 353-1-6711633
● National Symphony Orchestra: with conductor Albert Rosen and pianist John O'Connor perform the overture to Mozart's "Die Zauberflöte", Brahms' "Piano Concerto No.1", Prokofiev's "Symphony No.1" and R. Strauss' "Der Rosenkavalier Suite"; 8pm; Nov 10

FRANKFURT

EXHIBITION
Städtisches Kunstinstitut Tel: 49-69-605098-115
● Der Holzschnitt (The Woodcut): a selection of woodcuts and illustrated books from the fifteenth to the twentieth century. Works by Dürer, Titian, Gauguin, Munch, Kirchner and others; from Nov 9 to Mar 3
● Wege zur Abstraktion (Roads to Abstraction): sculptures from the museum collection by artists such as Rodin, Renoir, Archipenko, Calder and Baus; from Nov 22 to Jan 28

LONDON

CONCERT
Queen Elizabeth Hall Tel: 44-171-9504242

● Academy of St. Martin in the Fields: with conductor Kenneth Sillito and guitarist Pepe Romero perform Mozart's "Symphony No.33", Púchak's "A Winged Creature" (first performance), Rodrigo's "Concerto de Aranjuez" and Mendelssohn's "Symphony No.4 (Italian)"; 7.45pm; Nov 9
● London Mozart Players: with conductor Matthias Bamert and clarinetist Emma Johnson perform works by Ravel, Mozart, Strauss, Takemitsu and Haydn; 7.45pm; Nov 29
● St. Martin-in-the-Fields Tel: 44-171-8398362
● The Feinstein Ensemble: with conductor Martin Feinstein perform Vivaldi's "The Four Seasons" and works by Bach; 7.30pm; Nov 9

EXHIBITION

National Gallery
Tel: 44-171-7474885
● In Trust for the Nation: Paintings from National Trust Houses: as part of the National Trust's Centenary Year celebrations, a selection of paintings shown in National Trust houses will be brought together for the first time as an exhibition; from Nov 22 to Mar 10
Royal Festival Hall Tel: 44-171-9504242
● German Photographs of the 1930s; from Nov 22 to Jan 14

MUNICH

CONCERT
Philharmonie im Gasteig Tel: 49-89-4898505
● Münchner Philharmoniker: with conductor Günter Wand perform

Bruckner's "Symphony No.5"; 8pm; Nov 29, 30

NEW YORK

AUCTION
Sotheby's Tel: 1-212-606-7000
● The Joseph H. Hazen Collection of Impressionists, Part Two: including works by Van Gogh, Lager, Picasso and Kandinsky; 10.15am & 2pm; Nov 9

CONCERT

Alice Tully Hall Tel: 1-212-875-6050
● Guarneri Quartet: with pianist John Browning perform works by Mozart, Stravinsky, Turina, Wolf and Brahms; 8pm; Nov 29
Carnegie Hall Tel: 1-212-247-7800
● Chicago Symphony Orchestra: with conductor Daniel Barenboim perform "Elektra" by R. Strauss (concert performance). Soloists are Deborah Polaski, Alessandra Marc, Ute Priebe, Falk Struckmann and Reiner Goldberg; 8pm; Nov 9

OSLO

DANCE
Norske Opera Tel: 47-22-429475
● Three Ballets: the Norwegian National Ballet with the choreographies "Foul", "Temperaments" by Balanchine, "Women Song" by Sund and "La Ronde" by Tetley. Conductor is

Emmano Storio; 7.30pm; Nov 9, 10, 11 (8pm), 13, 14, 17, 18 (6pm)

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor Günther Herbig and pianist Evgeni Kissin perform Tchaikovsky's "Piano Concerto No.1" and Dvorák's "Symphony No.8"; 8.30pm; Nov 29
● Orchestre Philharmonique de Radio France: with conductor Alexandre Lazarev and cellist Truls Mørk perform works by Prokofiev and Rimsky-Korsakov; 8pm; Nov 10

EXHIBITION

Musée du Louvre
Tel: 33-1 40 20 51 41
● La Réserve: drawings and engravings from the 16th to the 20th century; from Nov 22 to Feb 19

VIENNA

CONCERT
Konzerthaus Tel: 43-1-71246860
● St. Petersburg Philharmonic: with conductors Mariss Jansons and Yuri Temirkanov and violinist Vadim Repin perform works by Mussorgsky, Shostakovich, Prokofiev, Tchaikovsky and Rimsky-Korsakov; 7.30pm; Nov 9, 10, 12, 13

WASHINGTON

CONCERT
Terrace Theater Tel: 1-202-467-4800
● Brian Ganz: the pianist performs works by Chopin and Schubert; 7.30pm; Nov 29

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00

FT Business Morning

10.00

European Money Wheel

Nonstop live coverage until

14.00 of European

business and the financial

markets

17.30

Financial Times Business

Tonight

Midnight

Financial Times Business

Tonight

COMMENT & ANALYSIS

Edward Mortimer

A Turkish opening

A rebuff by the European Parliament at next month's vote on a customs union could be a serious setback for human rights

The European Parliament is more like the US Congress than the House of Commons. It has no governing majority, and not much party discipline. Of course it is nothing like as powerful as Congress, because national governments, represented in the Council of Ministers, have kept legislative and revenue-raising power mainly in their own hands.

But the parliament does have significant powers, especially since the Maastricht treaty, and it struggles constantly to assert those powers against the council, much as Congress does against the White House.

One power enjoyed by parliament in most democracies, and now also by the European Parliament, is the right to ratify external treaties. This is not usually a problem for governments in parliamentary democracies, except in extreme cases (like Maastricht itself in the UK) where the governing party is split and feelings run so high that some MPs are prepared to risk bringing down the government. But it is a constant problem for the US government which has no disciplined parliamentary majority. It is also becoming a problem for the EU - for example over the customs union with Turkey.

The principle and timetable of this union were actually agreed 35 years ago. Final terms were settled between Turkey and the governments of all 15 EU members on March 6 this year. The technical arrangements were examined at a further meeting last week and found to be all in place. The customs union should come into force on January 1. All it needs now is the European Parliament's approval. A vote has been scheduled for December 14.

Turkey is already the EU's 10th biggest trading partner. For 23 years it has had free access to the European market for all industrial goods and processed foods, except for quotas on textiles (the

most generous given to any third country); but it still levies import taxes which cost European exporters \$1.5bn per year. The customs union will abolish these overnight.

Turkey is also a staunch western ally in a highly volatile region on Europe's doorstep. It is linked by language to central Asia and the Caucasus. Its co-operation during the Gulf war against Iraq was of vital importance. It is one of the few democracies in the Muslim world, and the only avowedly secular one - though an Islamic opposition party, capitalising partly on Europe's stand-offish attitude, is now mounting a serious challenge.

All 15 EU member governments and the Commission are satisfied that the customs union is in the EU's interest. In a parliamentary democracy, they would simply whip their supporters into line to vote for it. As it is, the result of the vote is in serious doubt. MPs are focusing, not on the overall political and economic impact the union would have on European interests, but on the specific issue of Turkey's human rights record.

Unquestionably, that record

leaves much to be desired. The Turkish army is fighting a savage war against the Kurdistan Workers' Party (PKK) in the south-east, in which hundreds of villages have been burned and thousands of civilians arrested and beaten, sometimes to death.

Most Turks support the war. They distrust the PKK's public conversion to peaceful and democratic methods, and its disavowal of separatism, as much as Ulster Unionists distrust similar professions from the IRA. But educated Turks are increasingly unhappy about the methods their army is using. The issue is more and more openly discussed in the media, including radio and television, which have been privatised and liberalised out of recognition in the past few years.

Earlier this year, Turkey's parliament passed 16 amendments to the constitution introduced by the military regime in 1983. On October 27 it amended the notorious Article 9 of the anti-terrorism law, under which some 150 people had been imprisoned for expressions of opinion. Most if not all will now be released.

The same week, two out of six imprisoned Kurdish MPs were released on appeal. The remaining four have taken their case to the European Court of Human Rights, whose decision the Turkish government has promised to accept.

While those are all steps in the right direction, they fall short of what many MEPs, and many Turkish liberals, would like to see. Indeed Ms Pauline Green, leader of the largest political group in the European Parliament, described herself as "bitterly disappointed" by the decision on the Kurdish MPs.

What she and other MEPs have to ask themselves, however, is not whether Turkey has jumped through all the legislative and judicial hoops placed in front of it, but how their decision next month can affect things for better or worse.

Human rights in Turkey depend ultimately on the growing weight within Turkish society of people whose education, standard of living, and contact with the rest of Europe make them regard human rights as an important yardstick of their country's performance. Happily the number of such people has been growing steadily as a result of economic and social change.

Human rights, and the existence of a Kurdish identity within Turkey, are now much more central issues in Turkish politics than they were 10 or even five years ago.

The customs union should give a further boost to that trend. A European rebuff to Turkey, 10 days before a scheduled general election on December 24, could be a severe setback.

The column "A duty to meddle", published here on October 24, was a highly condensed version of my pamphlet "A Few Words on Intervention", available from the John Stuart Mill Institute, 1 Whitehall Place, London SW1A 2HE. 25



Human rights pitch: Kurdish question is a central issue

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'line'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Smartcard a modest player in monetary system

From Prof K. Alec Chrystal.
Sir, Re Giles Keating's Personal View (November 2), it is impossible to be certain about the full implications of new technology, but it is likely that his vision of the impact of what he calls "e-money" will be well wide of the mark.

For a start, he is talking not about e-money but about e-currency, that is, new smartcards which substitute for banknotes. The vast bulk of cross-border (and indeed domestic) payments already takes place via electronic money, in the form of computer transfers. Foreign exchange markets are also dominated by interbank dealers who can move vast sums at virtually zero transaction cost.

Even dramatic changes in retail currency transactions would have little effect on exchange rate determination. Indeed, if transaction costs are really virtually eliminated this would make us hold less money in general, not more of a different denomination.

In reality, smartcard technology will have, at most, a small impact on the currency denomination of wealth holdings. This is because the proportion of wealth held in cash is tiny anyway.

Smartcard balances will almost certainly be non-interest bearing so will represent a small and temporary abode of purchasing power. Most liquid wealth will continue to be held in

interest-bearing deposits or securities. International interest differentials on these assets adjust to offset expected exchange rate changes, so that any potential flight between currencies rarely leads to a flood. Speculators don't invest in cash!

Individuals may find smartcards a convenient substitute for banknotes, travellers cheques or eurocheques, but only if transaction costs (including foreign exchange spreads) really are much lower. However, companies will never be using smartcards to hold their working balances of diverse currencies. Existing on-line computer technology is much more efficient and considerably safer.

Smartcard technology could have a significant impact on the desired ratio of cash to bank deposits in the money supply. However, M4 is already close to 30 times bigger than M0 and smartcards will merely continue the upward trend. Smartcard technology will have some impact on the monetary system but this has little or nothing to do with the desirability or timing of the introduction of a single currency.

K. Alec Chrystal,
professor of monetary economics,
City University
Business School,
Frobisher Crescent,
Barbican Centre,
London EC2A 4PU, UK

Strife and dispersion must not be repeated

From Mr Gary Levinson.
Sir, After getting over the shock of Yitzhak Rabin's assassination I realised the present absurdity - even perversity - of the concept of "us and them". Until now, it was straightforward for Jews "them" has always been the Arabs, and "us", other Jews. Israelis find themselves today, however, in a situation where some of the "us" are Arabs, the Arabs for peace, and some of "them" are Jews, Jews against it.

At the time of the fall of the Second Temple, 2,000 years ago, intercommunal strife kept Jews from uniting and making a stand against the Roman Empire, resulting in the scattering of Jews all over the world. Israelis and Jews everywhere must hope that this is not the beginning of a fall into such internal strife, and a new Jewish dispersion.

Gary Levinson,
managing editor,
New Renaissance,
Weissenauer Weg 4,
55129 Mainz,
Germany

Magnet for speedy alternative travel

From Mr Hugh Douglas.
Sir, Your article, "In the path of a speeding train" (November 3) on high-speed rail competing with short-haul airline travel did not mention magnetic levitation (Maglev) trains. This new technology is being used by Germany to build a system between Berlin and Hamburg, and will eventually connect all its leading cities. Switzerland is also considering linking its cities by Maglev operating totally underground to increase potential speed.

High-speed rail has reached the maximum speed limits of flanged-wheel technology. Maglev, which can travel in

excess of 500mph, is a hard sell because an inherent "institutionalisation" of railways creates resistance to a new technology. New technology is usually more expensive than the old. Innovation brings costs down and over time engineers understand design costs better.

The Channel Tunnel missed an opportunity by not having built a Maglev train which would have made the trip from London to Paris in only one hour. The existing railway rights of way could have been used and the Kentish folk could not object to a faint whisper as a Maglev train sped through their countryside.

There is a need to reduce short-haul air travel both because of over-crowded skies becoming dangerous and short-haul passenger flights are not money spinners. Airlines such as USAir are investing in Maglev concepts because this will release valuable slots at airports, and they will still make money on the alternative for short hauls. Indeed, the money spent on a third airport for London or expansion of Heathrow may better be spent on Maglev.

Hugh Douglas,
80 Austin Drive 18,
PO Box 1092,
Burlington VT 05402, US

Aspects of legislation for the disabled

From Mr Alistair Burt.
Sir, While I welcome the attempt to explain the UK's Disability Discrimination Act, the "FT guide to" which you pointed out on November 6 errors.

● It will be unlawful for any business, whatever its size, to discriminate against disabled customers.
● The act does not cover people with conditions that have little or no effect, but it does cover people with any impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities.

committed to providing clear guidance on the act and any subordinate regulations. There will be a special guide on the definition of disability, and especially what will be regarded as "substantial" effects. There will also be codes of practice.

Alistair Burt,
minister of state,
Department of Social Security,
Richmond House,
79 Whitehall,
London SW1A 2NS, UK

Kenya prepared to co-operate with tribunal on Rwanda

From Dr S.J. Kosegi.
Sir, I would like to correct a misapprehension that may have arisen from Michael Wrong's article "Defiant Kenya is running out of steam" (October 25) in which he claims President Moi "has refused to co-operate with an international tribunal on Rwanda".

This is not the position. President Moi has made it clear that Kenya is fully prepared to co-operate with the tribunal in Rwanda to ensure

justice is applied to all and the root causes that led to the genocide are addressed comprehensively. Perhaps Ms Wrong is confusing Kenya's position on the tribunal with that of the government of Rwanda, which voted against the establishment of the international tribunal at the general assembly.

As far as Kenya is concerned, the tribunal should start its work. It should also concern itself with the position of those currently held,

without trial, in Rwandese prisons. Many thousands of refugees, including Sudanese and Somalis, have sought safety in Kenya over the years. The president of Rwanda lived in Kenya between 1982 and 1990 under such circumstances. Kenya does not welcome this situation but is prepared to honour its international obligations to these unfortunate people. If the tribunal, the government of Rwanda, or

anyone else requires that Rwandese refugees should leave Kenya against their will, the correct procedures should be adhered to - namely seeking the support and assistance of the United Nations high commissioner for refugees for their removal.

S.J. Kosegi,
permanent secretary,
Ministry of Foreign Affairs
and International
Co-operation,
Nairobi, Kenya

Technology • Peter Marsh

Through a glass darkly

Two US companies which manufacture glare-reducing car mirrors are locked in a patents battle

The split second of blindness when light from the headlights of a car behind is reflected by a rear-view mirror is the curse of night-time driving and the cause of many crashes.

The danger posed by such temporary blindness has boosted the fortunes of two US companies which make special mirrors that reduce the glare. Gentex and Donnelly, both based in Michigan, are competing to woo more of the world's top carmakers to the idea that electrochromic mirrors are a worthwhile safety extra.

The two companies have become locked in a fierce marketing battle for a global market estimated to be worth about \$100m this year. But their rivalry has been intensified by a series of disputes over patents, with each company claiming the other has infringed its rights over the complex technologies used in the mirrors.

Electrochromic mirrors contain a special light-sensitive layer that darkens when exposed to light, so reducing the reflectiveness of the mirror. They are mainly fitted internally, although in some top-of-the-range cars they are also fitted outside the car in place of conventional mirrors on door frames. They can cost up to \$75 each - up to four times as much as a conventional car mirror - and feature

mainly in executive cars made by companies such as BMW, General Motors, Ford and Chrysler.

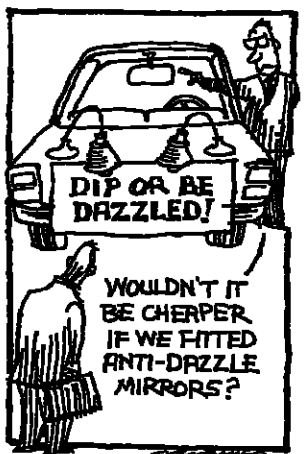
In the marketing battle, Gentex has a big lead, claiming about 90 per cent of the world market for electrochromic mirrors, with Donnelly's products comprising almost all the rest. Gentex believes it will make about 2m of these mirrors this year, with slightly more than three quarters of them for use inside the car.

About 85 per cent of Gentex's mirrors are sold to US-based carmakers. However, the company expects to see more of its output going to Japanese and European car companies over the next five years as they become more interested in fitting them.

Although it has a smaller share of the market for electrochromic mirrors, Donnelly is a bigger company, with a range of other automotive parts activities. It is thought to be the world's leading maker of conventional interior mirrors for cars and has recently established a foothold in continental Europe through taking over Hobe, a big German mirror-maker.

Much of Donnelly's technological expertise is a result of work at its mirror plant at Naas in the Irish Republic, where it has developed new ways to bend glass to the shapes needed for the mirrors. It has also come up with novel techniques to coat the glass with the chemicals which form the electrochromic layer.

In the disputes over patents, which stretch back to 1990, Gentex appears to have won



a thin layer of chemical gel sandwiched between them which is sensitive to light. The inside surface of each sheet of glass is coated with a thin transparent conductive coating. This sandwich structure forms a vertical layer next to a conventional silvered mirror surface.

The mirror system also contains two light sensors - one looking forward and the other backward. The forward sensor takes note of ambient light levels, causing the backward sensor only to come into use at night or in dark conditions. When the rear-facing sensor detects light from the glare of a following headlamp, it emits an electrical signal in proportion to the level of glare detected.

Circuitry in the system works out how much the mirror's reflectiveness needs to be reduced - which is adjusted by a slight darkening in the electrochromic layer. When the glare goes away the voltage is decreased and the layer returns to its normal state.

Gentex says its sales of electrochromic mirrors have grown about 25 per cent a year over the past five years and it foresees similar growth in the remainder of this decade. Donnelly is also forecasting a steady expansion in sales and says it has made adjustments to its processes to avoid specific patent problems.

According to one Donnelly executive, a quarter of all new US cars could come with an electrochromic internal mirror by the end of the decade, compared with about 10 per cent now.

Burberrys
OF LONDON

For more information and to make contact: The Wholesale Showroom, 165 Regent Street, London W1R 8AS.
Telephone: 0171-734 5929.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday November 8 1995

Granting the right to shop

Chancellor Helmut Kohl argued recently that overhauling Germany's structural weaknesses would mean becoming a nation of risk-takers. The government took a step towards this vision yesterday in finally agreeing some change to the country's archaic shopping hours. After all, he who would take risks must first be assured that the shops will be open when he gets home.

The agreement finally hammered out yesterday by the Christian Democrats and their coalition partners, the liberal Free Democrats, will still mean that German shops are closed more often than in most European countries. But by German standards the new deal is indeed, in the words of Mr Günter Rexrodt, the economics minister, a "giant step forward".

It is a testament to Germany's enduring bias towards producers rather than consumers that consumers' complaints about the old system have been ignored for so long. Only last year, Mr Rexrodt was forced to give up his campaign for more liberal hours, because of fears that it would alienate small shopkeepers ahead of the October election.

Yesterday's vigorous denunciation of the reform by HBV, the retail, banking and insurance union, shows that many have yet to be won over by Mr Rexrodt's latest and more cautious campaign for change. By and large, however, both Mr Kohl and his Christian Democrat colleagues -

many of whom have been against reform in the past - realised that economic realities and consumer pressure made some degree of relaxation unavoidable.

First among those economic realities is unemployment, which was yesterday announced to have risen to 3,525,800 in October, nearly 80,000 higher than a year ago. Germany's leading unions are beginning to show greater awareness of the consequences of their actions for employment. But in the long run, the largest potential job gains lie in the over-regulated and undervalued - service sectors of the economy.

The IFO, an economic research institute, argued in a report published during the summer that allowing shops to stay open a further three-and-a-half hours on weekdays, and four hours on Saturdays could inject DM20bn - and 50,000 more jobs - into the retail sector. The effects of yesterday's agreement will be rather more modest, particularly if, as many predict, rural shopkeepers stick doggedly to their old habits.

Mr Kohl may be right that creating many more jobs in Germany will mean taking greater risks. But the government will have to go a lot further towards deregulating Germany's service sectors before many are likely to follow his advice. And achieving this, in turn, will mean Mr Kohl himself risking more hostility from entrenched interests than he has so far seemed willing to endure.

This sporting life

Two big deals by Rupert Murdoch's television channels this week raise the question of the right to broadcast sport. The BSkyB satellite network in Europe is now close to acquiring rights to rugby union's Five Nations championship, in which England, France, Scotland, Wales and Ireland compete. And on Monday Fox, News Corp's terrestrial television network in the US, acquired the lion's share of the rights to US major league baseball.

The zest with which big broadcasters pursue sporting events - earlier this year Mr Murdoch launched what was in effect a takeover bid for an entire sport, rugby league - has caused some concern. This is strongest when, as in BSkyB's transmission of golf's Ryder Cup, coverage is confined to a subscription channel.

Some people argue that big sporting events are a nation's communal property and should be free to all broadcasters, especially those that do not charge the viewer. Others argue that it is wrong to interfere in a sport's ability to sell its rights to the highest bidder - and if that means a subscription service, so be it.

Who is right? It is hard to deny that there are a (very) few key sporting events for which individual governments may wish to legislate open broadcast access. In most countries, sport is an element of "civil society" which it is wrong to remove entirely to private ownership.

For similar reasons, there is a strong case for a rule that allows up to, say, two minutes of extracts of any televised sporting occasion to be broadcast on news programmes on rival channels.

Beyond that, sporting organisations should be free to sell their rights to the highest bidder, as long as they do so in a way that is both fair and reversible. That means they must conduct free, open, advertised auctions of rights for a restricted period, say a maximum of four years. They should avoid deals that give the primary rights-purchaser undue influence over others, for example by allowing a subscription purchaser to control the sale of rights to terrestrial channels. The Five Nations deal raises questions here.

There is no general right to watch sport for free, and nothing to stop broadcasters using sport as an important scheduling tool. There is also nothing wrong, in principle, with private ownership of sporting organisations, as is common in the US.

However, where voluntary bodies have built up a sport over the years, governments may wish to ensure that this communal inheritance is not being traded in a way that will benefit those currently controlling the game at the expense of future participants and spectators. On this issue, as on the fair-trading point, the emphasis should be on the practical conditions of the deal and the process by which it was agreed.

French shuffle

Less than six months after he appointed his first cabinet, France's President Jacques Chirac has dissolved it, and asked his prime minister, Alain Juppé, to form another.

One might be forgiven for thinking the move a bit hasty. But the track record of the government so far has been thoroughly uninspiring, and the need for a shake-up was obvious. Both Mr Chirac and Mr Juppé have seen their personal popularity slump in the polls. On the two biggest challenges facing the government - curbing its budget deficit and tackling the stubbornly high unemployment rate - it has appeared indecisive and ineffective.

The reshuffle unveiled by Mr Juppé last night looks like a step in the right direction. It appears to be confirmation of the new determination revealed by Mr Chirac on October 26, on his return from meeting Chancellor Helmut Kohl in Bonn, when he declared his intention to bring public spending under strict control.

That promise of new rigour, once espoused by his presidential rival, Mr Edouard Balladur, has been underlined by the appointment of three Balladurians to the new cabinet. They include Mr Alain Lamassourie, the former European affairs minister, as budget minister. Their arrival should get the cabinet, and strengthen those committed to budget discipline.

The second important move is the extension of the portfolio of Mr Jacques Barrot, the labour

minister, to include the whole area of social security. Next week, the government is set to unveil a range of social security reforms, including an increase in hospital charges, designed to curb welfare spending. This will enable Mr Barrot, one of the more successful ministers in the first six months, to bring more coherence to this sprawling area of the budget.

None of the top ministries has been changed, with Jean Arthuis remaining at finance, Hervé de Charette at foreign affairs, and Jean-Louis Debré at the interior ministry, where he is locked in the government's ongoing anti-terrorist campaign. To sack any of them might have smacked of panic. But Mr Juppé has taken the opportunity to streamline his government by reducing the overall number of ministers.

The real test of this new rigour will come next week, when the detailed social security cuts are unveiled. The past two years alone have seen accumulated deficits of some FFrs120bn, which have pushed the overall budget deficit to more than 5 per cent of gross domestic product. It also remains to be seen how much power Mr Lamassourie will have to curb spending as budget minister.

The reshuffle will give Mr Juppé a second chance, after a disappointing first effort. His moves have clearly pleased the markets. But if he cannot impose more discipline on his colleagues this time round, Mr Chirac is too shrewd a political survivor himself to give him another opportunity.

The changing of the guard

Sweeping changes have shaken up the culture and practices at SBC Warburg since its takeover four months ago, says John Gapper

Mr Marcel Ospel is staring from his office at the headquarters of SBC Warburg, wishing it were lower down. Four months after Swiss Bank Corporation took over the UK's flagship investment bank, the room has a half-occupied air. Mr Ospel's concern is its position: on the seventh floor - dubbed the "Ceaseless wing" - rather than near the fifth-floor trading room.

Around the corner is the office of Sir David Scholey, the leader of the old guard who used to run Warburg before it was swallowed up by SBC. Since then, there has been turmoil. Some 300 employees of the merged investment bank have defected to other banks, prompting gossip of Warburg's disintegration. SBC Warburg has also been hit by internal conflict as unresolved tensions were brought to the surface.

Mr Ospel, the 45-year-old Swiss chief executive who will become chief executive of the whole of SBC next May, yesterday tried to draw a line under these troubles by announcing a new investment banking board composed mainly of younger faces. It will no longer be chaired by Sir David, and other veterans of S.G. Warburg are also leaving it. It is a symbolic act, intended to show that a new generation, untroubled by mistakes of the past, is in charge.

Defections and upheaval at an investment bank taken over by another are common. Investment banks are full of brokers and corporate financiers whose egos are fragile, and who can often find jobs elsewhere. This trauma was also accelerated at SBC Warburg, where Mr Ospel decided to cut 1,000 of the 11,500 staff within a month of merging. But the level of tension took him and others by surprise.

One member of the 15-strong executive board which manages SBC Warburg says that S.G. Warburg was "a sick firm that had to be healed". He says SBC "perhaps trusted some of the senior managers that were in place a little too much" at first in seeking advice on how to handle things. It transpired that many younger staff wanted a clear-out at the top.

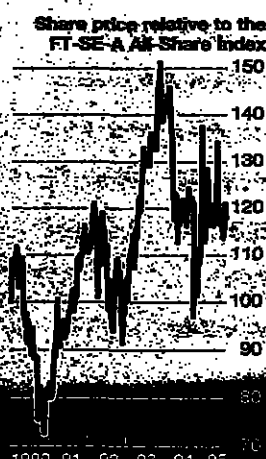
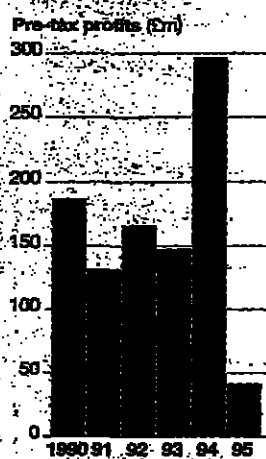
The nickname for the seventh floor - after the former head of state in Romania deposed in 1989 after presiding over the economic ruin of his country - indicates the bitterness. After S.G. Warburg failed to pull off a merger with Morgan Stanley last December, it seemed unable to survive alone and the younger employees became resentful at what they saw as the mismanagement during the 1990s.

"It was rocky for a time," admits Mr Ospel, a calm, analytical figure who has tried to introduce management disciplines that S.G. Warburg lacked. He seems a little shaken at the reaction. Among the senior figures who departed were Mr Mark Seligman, head of S.G. Warburg's advisory business. Mr Ospel says there was only a handful whose departure he regrets; others could see their role would be diminished.

He says the worst is over. "There are a few areas where we are facing problems, but by and large we should be pleased at where we are," he says. Yet SBC Warburg continues to face a problem in customer defections. Many of those quitting its corporate advisory business have long-standing relationships with large companies, which in turn could follow them to new banks.

It has already lost some. Burton, the clothes retailer, has replaced it with Schroders as an adviser, and

S.G. Warburg



Marcel Ospel
Chief executive of SBC Warburg
which is being acquired by SBC

other companies have dispensed with its services as a corporate broker. SBC Warburg itself estimates that it has lost seven and gained seven customers since the acquisition. But one executive admits there are likely to be further departures among its customers following the staff defections.

At least one member of the old guard does not regret the departures of old-established names at Warburg. That is Mr Henry Grunfeld, the 52-year-old co-founder of S.G. Warburg. Mr Grunfeld is still coming to the office, and says his advice as a "father confessor" has been in demand since July. He is briskly dismissive of some star names who have departed.

"Some of those who left will not be missed," says Mr Grunfeld firmly. He insists some had exaggerated ideas of their own importance. Of one executive who left he says: "He was an unguided missile. He wanted to be head of investment

banking. It was the most ridiculous thing."

Sir David Scholey has remained as chairman until now, but yesterday stepped down and was replaced by Mr Hans de Gier, a member of the SBC executive board. Sir David has been given a role as chairman of SBC's council of international advisers. "We had to show internally that room was being made for younger people," says a senior figure from S.G. Warburg.

Yet the upheaval is a signal of more than *amour propre* among veterans and the release of tensions. It also stems from Mr Ospel's attempt to manage the firm in a fresh way, and organise everything differently, from how executives are paid to the way it handles customers.

Much of the impetus comes from former partners of O'Connor, a Chicago derivatives firm taken over by SBC in 1991. Andy Scialano, the 34-year-old head of foreign exchange, and David Solo, the 30-year-old head

of fixed income, are former O'Connor partners who are now playing a central role in transforming Warburg.

O'Connor built its reputation and profits from using the latest mathematical techniques to price and trade futures and options. Dominated by young mathematics and engineering graduates, it was run as a partnership. Bonuses were shared out evenly rather than allocated disproportionately to stars, or to particularly profitable departments. Mr Ospel now wants to introduce a similar system at SBC Warburg.

Wonder how the investment performance reports read. "We'd have liked to have doubled your money... but unfortunately we've wiped out 90 per cent of your capital?"

Browne study

These days few chief executives seem prepared to pop their heads above the parapet without prepared speeches, slick slides and back-up information packs. How refreshing then to find John Browne, British Petroleum's new head honcho, standing up at lunch yesterday to talk about his company's third-quarter results armed only with some jottings on the back of an envelope.

However, he is still not in the same league as Richard Branson, Virgin's bearded boss. He is known to jot notes to himself on the back of his hand.

Below par

The captain's report of a Kent golf club notes that the secretary recently met the local crime reduction officer - "previously called a crime prevention officer".

that eventually it would gain a profitable transaction.

This meant opportunities were missed. Mr Rory Tapner, head of equity capital markets, says S.G. Warburg was surprised to find after the takeover that 66 of its 140 merchant banking customers had given business to SBC as well. Mr Tapner says Warburg "did not have what it takes" to execute some types of financing. It was not innovative enough in having ideas, rather than relying on long-standing relationships.

"Some of the customers could see which banks were coming up with ideas and which weren't, and they were saying to us: 'You need to do more'," says Mr Tapner. SBC Warburg has belatedly followed US investment banks in grouping its advisers in specialist teams. In contrast to its former system of relying on generalist stars.

Mr Scialano argues that SBC Warburg can no longer rely on pure advisory work, waiting for companies to make rights issues or pay for advice. "The future looks pretty bleak for those that are pure advisers," he says. Instead, he says, SBC Warburg must sell foreign exchange services or underwrite bonds for companies that have used it only as a strategic adviser in the past.

What happens if they do not want wider services? Mr Ospel says SBC Warburg will have to explain that it needs to sell more products to make a profit. "It is a matter of making it transparent, so that both sides are properly rewarded by the relationship," he says. He insists that SBC Warburg would not arbitrarily freeze out a customer that was not providing an adequate return before giving its new approach long enough to work.

However, some customers have already seen a more analytical approach to business. For a decade, S.G. Warburg has acted as merchant bank adviser to some companies, and corporate broker to others. The twin roles came from the merger in the 1980s of S.G. Warburg and Rowe & Pittman, the broker. Its corporate brokers have been cautious about selling other products, not wanting to offend the customers' merchant banks.

Mr Ospel says a traditional approach to corporate broking may have "stood in the way of expanding our relationships into other areas" in some cases. Yet SBC Warburg has already been dropped by a few of the 260 companies to which it is broker. If others are disturbed by a more active approach and also leave, it will have to compensate by making more money from the remaining advisory customers.

From Mr Ospel's perspective, such niggles to some extent miss the point. He is not attempting simply to preserve the strong UK business of S.G. Warburg. Instead, he is creating a global investment bank. He is trying to use its broking strength in Asia to create far stronger advisory and equity underwriting. He is also likely to bolster its US arm either by recruiting, or by buying a US investment bank.

Seen in such a context, the upheaval of the past months is less significant. It seems like a local upset among some talented employees who no longer felt appreciated. Yet if they take other customers with them, SBC's attempt to capture S.G. Warburg will look somewhat shaky. Mr Ospel must hope the turmoil is over now that so many of the old regime have gone.

OBSERVER

'Net lands big catch

Forget Windows 95 and that summer summit with Jiang Zemin of China. Ignore the Leonardo and even this week's acquisition of cyber-rights to the Hermitage collection in St Petersburg. Bill Gates has just pulled off the ultimate coup. He has persuaded Michael Kinsley to swap Washington - and relocate from the nation's capital to that other more westerly place that Microsoft calls home.

Even more remarkably, Kinsley, perhaps the staunchest defender of liberal values in the US media, is moving off the leader page, going off air. He will edit a new journal of political and social commentary which will appear only on the Internet's World Wide Web.

Plans for the new cyber-rag are still vague but if anybody can put much-needed quality on the 'Net it is probably 44-year-old Kinsley.

He may be best known for his five times a week shouting sessions at the likes of Pat Buchanan on the CNN shuffest called Crossfire. But he has also built a formidable journalistic reputation as a columnist, and from his stints as editor of both the New Republic and Harper's as well as his time at The Economist.

Like Gates, he went to Harvard and then got another degree from Oxford. But it was Kinsley who

sought out Gates, a Harvard drop-out, some months ago when he read a news story that Microsoft was looking for a "big-time editor". Time Warner was also in the market for his services.

So how will the dozen of the east coast talking shops make out over on the shores of Puget Sound? "I'm sure I'll be asking that question as I stare out at the rain," he remarked to the Washington Post.

No sex please

Prophylactic measures, please, at the Overseas Development Administration, to avoid a re-run of this little mistake.

A well-meaning oversight of the UK Foreign Office that is likely to see its spending power curtailed yet further: after the budget, the ODA has managed to lose £100,000-plus from its meagre £2.2bn hand-out in the course of a single project.

The case involves a shipment of 25m condoms to Zimbabwe in the cause of "health and population assistance". Sadly, the family planning aids were, as the National Audit Office's latest report reveals, found to be less than perfectly formed.

Flushed faces initially put the cost of the damage at \$300,000. But that was later cut down to size - \$25,000 - after hard bargaining with the contraceptive manufacturers.

But then the ODA fretted that the defective condoms would slide back on to the market. So it went to further lengths - £17,000, since you ask - putting the menacing little objects into storage.

Invasive

Istanbul's biennial art show, which kicks off this Friday, would hardly be complete without the British Council's contribution of what it calls "a feast" of British artists, set to include a couple of Mona Hatoum pieces. Surely not that work, though? No, Corps Estranger - the 12-minute odyssey of a surgical probe in each and every crifice of Hatoum's body - is wisely being left behind. Instead, there is a suitably Islamic creation entitled Prayer Mat. But what to make of the other one? Pin Carpet, a vast bed of nails, is perhaps an unduly political statement, given Tansu Ciller's precarious position ahead of next month's general election.

Mental cruelty

A colleague receives a communication from South African fund management group Syfrets's UK subsidiary.

It starts off very promisingly indeed. "We'd like to invite you to be our guest at the England v. South Africa rugby union international game on Saturday

18th November..." It is the back end of the sentence that leaves something to be desired. "... but unfortunately we haven't got any tickets". Exclamation mark. That by way of introduction to a South African wine tasting.

Wonder how the investment performance reports read. "We'd have liked to have doubled your money... but unfortunately we've wiped out 90 per cent of your capital?"

Browne study

These days few chief executives seem prepared to pop their heads above the parapet without prepared speeches, slick slides and back-up information packs. How refreshing then to find John Browne, British Petroleum's new head honcho, standing up at lunch yesterday to talk about his company's third-quarter results armed only with some jottings on the back of an envelope.

However, he is still not in the same league as Richard Branson, Virgin's bearded boss. He is known to jot notes to himself on the back of his hand.

Below par

The captain's report of a Kent golf club notes that the secretary recently met the local crime reduction officer - "previously called a crime prevention officer".

Financial Times

50 years ago

Nationalisation plans
The Government has elaborated an extensive timetable concerning the application of its programme of nationalisation.

The Bank of England Bill is now definitely expected to become law this year. Among other measures, the Imperial Telecommunications Bill and possibly the Coal Nationalisation Bill are expected to be introduced before Christmas, but neither of them is likely to be passed in all their stages before early next year.

The programme for 1946 is understood to include the nationalisation of transport; the nationalisation of civil aviation announced last week forms part of the scheme.

Gas and electricity undertakings are also expected to be nationalised next year. On the other hand it seems unlikely that the iron and steel industry will be nationalised before 1947. These are fairly well down on the list of industries to be nationalised and others will take their turn before then.

The time limit for submitting petitions to the Select Committee on the Bank of England Bill expired yesterday without any petitions being presented.

Looking Towards
2000
Look Towards
Newport
Tel: 01633 246906

FINANCIAL TIMES

Wednesday November 8 1995

Spot Foreign Exchange?

Live Market Information

SPOTBOX

Tullett & Tokyo Forex

0171-827 2014

Retail union fears move will bring 11,000 job cuts

Germany agrees to let shops stay open longer

By Michael Lindemann in Bonn

The German government yesterday agreed to let shops open until 8pm on weekdays and 4pm on Saturdays, marking a victory for consumers frustrated by some of the world's most restrictive shopping hours.

At present, under a 1956 law, German shops must close at 6.30pm on weekdays other than Thursdays, when they can stay open until 8.30pm. Closing time on Saturdays is 4pm, with longer opening on the first Saturday of each month.

Under the agreement shops will be allowed to trade from 6am until 8pm on weekdays and between 6am and 4pm on Saturdays. Germany's 16 Länder or states will be allowed to adjust Saturday opening hours two hours either side of 4pm.

The issue has been hotly debated for years and yesterday the HBV union, which claims to represent 300,000 retail workers, criticised the plan.

"Even fewer and worse pro-

tected jobs and more stress and pressure to perform will be the result," said Mrs Franziska Wietbold, a senior union official. "If these plans become a reality it will lead to another wave of shop closures and job shedding because of extended opening hours."

The HBV said it would collect signatures against the government's plans and would organise a demonstration in Bonn to protest against the feared loss of 11,000 jobs because of the changes. However, the union is unlikely to be able to scuttle the extension of shopping hours.

Mr Günter Rexrodt, the economics minister who has been pushing for the liberalisation of shopping hours, described the agreement as a "a giant step forward".

He said: "We have reached agreement after years of bitter and partly ideological discussions." Mr Rexrodt is from the liberal Free Democratic party.

Mr Norbert Blum, the labour minister who had led the Chris-

tian Democrat delegation at the talks, said there was still a "need for consultation".

Mr Blum refused to clarify his comments but it emerged that the CDU parliamentary party had postponed an internal vote on the issue.

The economics ministry insisted, however, that the agreement was irrevocable and is expected to come into force in the second half of next year.

"This is an important measure which advances the cause of deregulation," the ministry said. Contrary to union forecasts, the Ifo institute, one of Germany's leading economic think-

tanks, said in a report earlier this year that 50,000 jobs could be created if shopping hours were extended to 10pm, and sales could be increased by up to 3 per cent. The report said a third of German consumers wanted longer shopping hours.

See Lex
Bonn heads mood, Page 2
Editorial comment, Page 13

French TV chief held in bribes inquiry

By Andrew Jack in Paris

The head of TF1, France's most popular television channel, was taken into police custody yesterday in connection with allegations of bribes linking the channel with the country's national lottery organisation.

Police interviewed Mr Patrick Le Lay in his penthouse office at TF1's headquarters just outside Paris, before taking him to a nearby police station.

TF1 is alleged in 1990 to have paid FF10m (\$2.05m) to Mr Gérard Colé, the former head of Française des Jeux, the national lottery operator 72 per cent owned by the French state, in its efforts to retain the exclusive rights to broadcast the results of the game.

Yesterday's action is part of a long-running corruption investigation by Mr Gérard Pottier, a magistrate based in Nanterre, west of Paris, and colleagues who have been examining the operations of Française des Jeux since 1993.

The inquiries into Mr Colé, who was placed under formal investigation late last year for fraud, corruption and mismanagement, have already involved interrogations of two former heads of the private office of ex-President François Mitterrand.

Shares in TF1, in which the largest investor is Bouygues, the privately held construction group, fell 5.7 per cent to close at FF481 on the Paris bourse yesterday after news of the developments became public.

TF1 was privatised by the French government in 1987 and Mr Le Lay, a senior career executive with Bouygues who originally trained as an engineer, became its chairman a few months later.

The broadcaster refused to comment yesterday, but Mr Le Lay recently told Agence France Presse that TF1 had never paid commissions. "All our contracts with our agents are clear and controlled," he said.

TF1 has come under attack for broadcasting low quality popular and sometimes vulgar programmes, which appear to have helped it to maintain its ranking as the most watched channel.

The lottery broadcasts - which are made before and after the main television news programmes on Wednesday and Saturday each week - attract high viewing figures and provide an important market for advertising, from which the channel earns most of its revenues.

TF1 retains the game "Millionaire", which has a glamorous image. However, Française des Jeux has diversified the types of games it offers, and the principal national lottery draw is now broadcast on France 2, with another game on France 3, both of which are state-owned.

THE LEX COLUMN

Le shuffle

Yesterday's French cabinet shake-up was more dramatic than it looked. A reshuffle which leaves the prime minister, foreign minister and finance minister firmly in place hardly seems to merit the name. But the move underlines President Jacques Chirac's new-found commitment to cutting the country's large budget deficit by slashing France's bloated social security system. The creation of an enlarged social affairs ministry coupled with the weeding out of some cabinet "wets" has shortened the odds on rushing reforms through parliament - though getting them past the unions is another matter.

President Chirac has clearly decided to hit the bullet, despite his plummeting popularity. By abandoning pre-election promises on jobs in order to carry through economic reform, he has also given crumbs of comfort to the bond market. But against a tide of falling ratings and growing social unrest, it is not clear how long such a path can be maintained. Despite the greater credibility of the slimmed-down line-up, Prime Minister Alain Juppé's involvement in a controversy over his housing arrangements does not make him an ideal salesman of austerity measures.

The cautious reaction of investors in the French bond market, which initially gained ground against the German market then fell back, is sensible. Any success in meeting budget deficit targets this year will be viewed as window-dressing, and the goal of economic convergence and monetary union remains a distant one.

German shopping

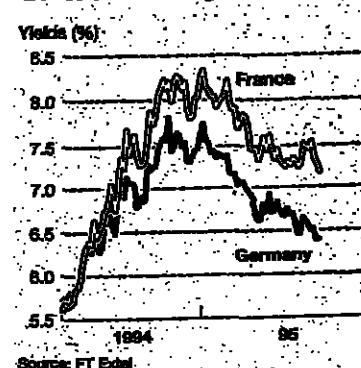
Germany's restrictive shopping hours are symptomatic of the country's economic inflexibility. Even partial liberalisation is therefore an important victory for German competitiveness. Under an antiquated law known as the *Ladenschlussgesetz*, consumers have found themselves forced into the street at 6.30pm on most weekdays. That will now change to a more civilised 8pm, and Saturday shopping is also being extended.

The benefits are clear. The more ambitious reforms first proposed would have added an estimated DM20bn (\$14.30bn) or 2 per cent to retail turnover over three years and created almost 50,000 jobs, but yesterday's agreement will not fall far short of that. That is timely, following yesterday's news that unemployment rose for a fourth consecutive month in

FT-SE Eurotrack 200:

1524.0 (+7.3)

Government 10-year bonds



October. While some medium-sized retailers will suffer increased labour costs, longer hours should be good for big chains like Kaufhof and Karstadt which can afford extra staff. It is also an opportunity for Germany's large number of family-owned corner shops to turn themselves into convenience stores.

Germany will still be behind many European countries where shops open until 10pm and on Sundays. And the changes will not come into effect until next year, giving conservative politicians and unions time to mount a rearguard action. But a compromise was always likely given the issue has been such a political hot potato. Any improvement in the country's moribund service sector, which has lagged manufacturing as a source of growth and jobs, is welcome.

Germany's already firm grip on television programming looks set to tighten further. Clinching the Five Nations Rugby Union tournament would boost a sports portfolio which already includes Premier League football and Ryder Cup golf. This drive to dominate sports programming, combined with BSkyB's near-lock on Hollywood films, is the key to its success - as illustrated in yesterday's first-quarter figures. The concentration of exclusive programmes helped increase subscribers by 214,000 to 4.38m.

Equally important, BSkyB's market power allows it to push through price rises with little or no impact on its growth rate. In fact, its latest rises have been accompanied by a fall in the proportion of customers giving up

the service. The company is shrewd enough to disguise price rises by improving its programming at the same time - in the latest case, the Disney Channel is the new attraction. Such improvements are responsible for the increase in BSkyB's operating costs; but as the price for maintaining dominance, they are worth it.

There is little immediate threat to BSkyB's market power. But the transition to digital TV from 1997 could pose a threat as customers will have to be kitted out with new decoder boxes. In the process, BSkyB's control of what has so far proved a monopoly gateway could be relaxed. However, provided it can cling to its dominant position, the switch to digital will be a perfect opportunity to upgrade its programming package further and hence charge customers even more.

Northumbrian Water

A formal bid from Lyonnaise des Eaux for Northumbrian now looks inevitable. The government is asking a bargain price for its blessing: a 15 per cent cut in water bills, with six years to get there, is at the bottom of the range recommended by the regulator.

If the market is hoping a bid will materialise very soon, though, it is likely to be disappointed. For one thing, Northumbrian's share price will fall if a bid does not materialise. Lyonnaise has every incentive to drag negotiations out. For another, Northumbrian's shareholders will press it to look hard for a white knight: a bidder from outside the UK water sector would have to pay much less to customers than Lyonnaise.

Nonetheless, Lyonnaise is likely to bid high. The company's shareholders are worried about its growth prospects: it needs to win to prove it is serious about overseas expansion. Moreover, buying Northumbrian even well above the current price would still enhance earnings. For its part, Northumbrian will not yield its independence lightly. It has one of the strongest balance sheets in the water sector and could well afford a generous defence package. Any of the likely outcomes - an agreed bid at a high price, a strong defence from Northumbrian or even an auction - will focus minds on the true scope for cutting costs at water companies. If anything is likely to prompt a re-rating of the water sector, this will.

Additional Lex comment on Marks and Spencer; MAM, Page 21

US agency cancels \$100m risk cover on mine project

By Kenneth Gooding, Mining Correspondent

The Overseas Private Investment Corporation, a US government agency, has cancelled \$100m worth of political risk insurance on one of the world's biggest copper and gold mining projects on the island of Irian Jaya, Indonesia.

Freeport-McMoRan Copper & Gold, the New Orleans-based natural resources group, has spent more than \$2bn on the project so far, and earlier this year RTZ of the UK, the world's biggest mining company, invested \$500m for an 11.9 per cent stake in Freeport. RTZ also promised a further \$850m for more exploration and development of the vast Grasberg mine on Irian Jaya.

Opic, which provides insurance and financing to US companies doing business overseas, told Freeport in a letter signed by Mr Robert O'Sullivan, associate general counsel for insurance and

claims, it was withdrawing cover as production at the mine had been doubled from the agreed level.

This had resulted "in the massive deposition of tailings [waste] in the Aikwa River and the sheet flow of tailings that has degraded a large area of lowland rainforest between the Aikwa River and Mijajeri River. These and other effects of the project have posed an unreasonable or major environmental health or safety hazard in Irian Jaya."

Freeport responded: "The environmental concerns expressed by Opic have no basis in fact." It insisted it was committed to the highest environmental standards in all its mining operations and was in compliance with Indonesian environmental regulations.

RTZ said it had carried out a thorough "due diligence" exercise before investing in Freeport and "if we were not satisfied with the way the [Irian Jaya] project was operated we would not have

invested. We are still confident the investment is a good one."

Freeport said that, after discussions with its banks and credit rating agencies, it was sure the dispute with Opic would not affect operations in Irian Jaya or plans for expansion. But it was going to arbitration as a matter of principle because Opic did not have a legal basis for cancellation and this contradicted Opic's statutory obligations.

Analysts suggest that Freeport, believing itself caught up in some broader policy change by President Bill Clinton's administration, lobbied hard in Washington before the cancellation was confirmed, among other things calling on the contacts of Mr Henry Kissinger, former US Secretary of State, who sits on the parent Freeport company board.

The insurance issue was also reported to have been raised recently by President Suharto of Indonesia during a meeting with Mr Clinton.

Bayer plans to float Agfa within two years

Continued from Page 1

still benefiting from the surge in demand and prices experienced earlier in the year. Pre-tax profits were up 43.8 per cent at DM906m on sales up 2.4 per cent at DM10.84bn in the three months to September.

However, with the group's target of a 10 per cent return on sales remaining elusive, it had "no alternative" but to cut further jobs if its German

operations were to remain competitive. Despite shedding 10,300 workers over the last two years, the group's "personnel expenses remain just as high", he said.

The German plant would continue to bear the brunt of further action. Bayer cut 2,820 jobs in Germany in the first nine months of this year and there would be at least 2,000 redundancies next year, he said.

"Although the government announced that it would be

reducing ancillary wage costs, in reality we are facing further appreciable rises in 1996," he said. "Provisional estimates put the increased burden at about DM40m per year at Bayer AG [the group's principal German business] alone."

In the face of this "stark dichotomy between words and action", the group planned to continue to shift its assets away from Germany, in particular, and Europe, in general.

FT WEATHER GUIDE

Europe today

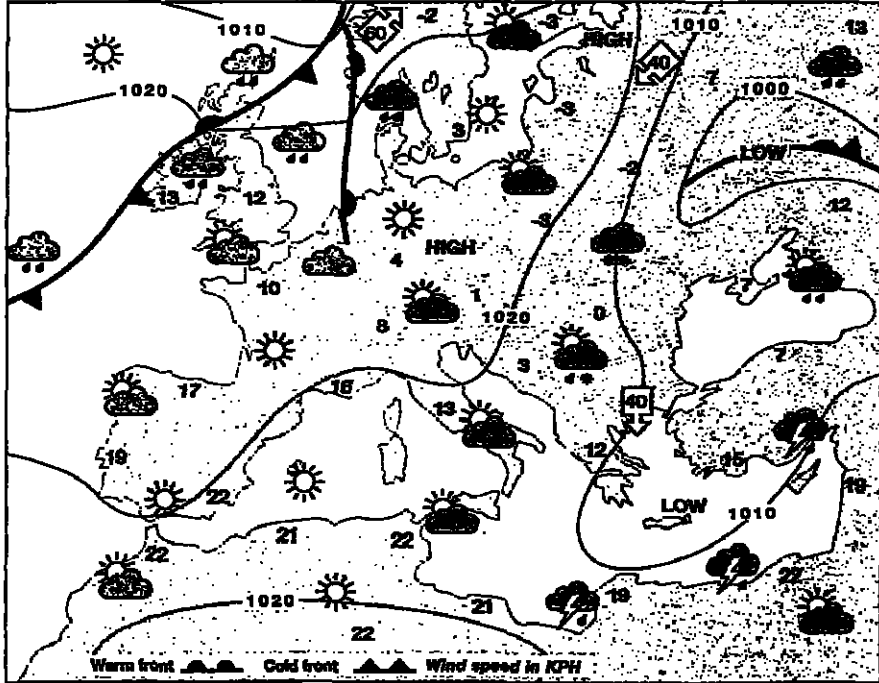
Temperatures in the Balkans will fall below freezing as far south and west as Serbia. Snow showers will develop in the northerly flow, especially in the Carpathians. The cold air flowing across the warm Mediterranean will produce numerous thunder showers. Rain and snow are expected along a frontal zone over the Ukraine and Russia. Spain and France will have abundant sun but light showers are possible in northern Portugal, Central Europe and the Baltic States will remain dry with sunny spells. The British Isles will be mainly cloudy with rain in coastal areas of Ireland and Scotland. South-west Britain will have sunny spells.

Five-day forecast

Central Europe will be dry and settled throughout tomorrow. On Friday, low pressure moving towards the Bay of Biscay will give southerly winds which will temper the cold conditions in Eastern Europe. Thunder showers will affect the eastern Mediterranean and the Black Sea during Friday before a high pressure system promotes dry conditions. Rain in Spain and Portugal on Friday will spread across southern France during the weekend.

TODAY'S TEMPERATURES

	Maximum	Minimum	Wind
Abu Dhabi	sun 31	sun 17	31
Aden	sun 30	sun 17	31
Algiers	sun 30	sun 17	31
Amsterdam	sun 30	sun 17	31
Athens	sun 30	sun 17	31
Atlanta	sun 30	sun 17	31
Bahia	sun 30	sun 17	31
Bangkok	sun 30	sun 17	31
Barcelona	sun 30	sun 17	31



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

	Maximum	Minimum	Wind
Paris	sun 31	sun 17	31
Frankfurt	sun 31	sun 17	31
Geneva	sun 31	sun 17	31
Glasgow	sun 31	sun 17	31
Hamburg	sun 31	sun 17	31
Heidelberg	sun 31	sun 17	31
Hong Kong	sun 31	sun 17	31
London	sun 31	sun 17	31
Madrid	sun 31	sun 17	31
Moscow	sun 31	sun 17	31
Munich	sun 31	sun 17	31
Nairobi	sun 31	sun 17	31
Naples	sun 31	sun 17	31
Nassau	sun 31	sun 17	31
New York	sun 31	sun 17	31
Nice	sun 31	sun 17	31
Nicosia	sun 31	sun 17	31
Osaka	sun 31	sun 17	31
Perth	sun 31	sun 17	31
Prague	sun 31	sun 17	31

Your frequent flyer program:
Lufthansa Miles & More.

Lufthansa

ADIDAS IS

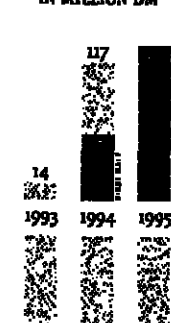
THE OFFER

The authentic sports brand

ONLY RARELY DOES AN INTERNATIONAL CLASSIC COME TO MARKET. NOW ADIDAS OFFERS YOU A CHANCE TO PARTICIPATE IN THE EXCITEMENT AND FINANCIAL OPPORTUNITIES OF SPORTS WITH THE KNOWLEDGE OF INVESTING IN ONE OF THE WORLD'S MOST ESTABLISHED BRANDS. THE CONTINUING ADIDAS COMMITMENT IS TO DELIVER RECOGNISABLE VALUE. WITH A FIRST CLASS MANAGEMENT TEAM, DEDICATED EMPLOYEES, QUALITY PRODUCTS AND SUCCESSFUL ATHLETES IN MOST SPORTS, ADIDAS IS IDEALLY POSITIONED FOR THE FUTURE. BE A PART OF IT.

adidas

Net Income in million DM



2 PORTUGAL

■ Political profiles: by Peter Wise

Socialist leaders aim to be 'responsive'



António Guterres: boldly breaking with tradition

Pledge on tax levels 'cannot stand up'

Continued from previous page:

"It is virtually impossible to

fulfil the sort of expectations that exist," warned one prominent

Socialist figure. Economists believe Mr Guterres's

pledge not to increase taxes cannot stand up for long.

In any event, it would be a surprise if Portugal reduces its

public deficit enough for the escudo to qualify for inclusion in the single currency in 1999.

The new government appears, however, more open to the idea of a two-speed

approach. Senior officials express some concern about not pushing the pace of integration. They are ready to welcome the admission of central and eastern European countries, but fear the consequences for European Union structural and cohesion funds. They argue there should be some compensation for the efforts made in the cause of convergence.

Euphoria over Europe in the first six years of membership has given way to disappointment. The pursuit of currency stability has made it harder for Portuguese companies to stay competitive, and competition

has intensified as a result of the European Union's single market and the Gatt agreements.

Two of the four main political parties – the Popular Party, which is increasing its following under a young leadership, and the Communists – are opposed to the Maastricht treaty. There is a risk that disillusion could give rise to a growing anti-European movement.

The government's first budget, expected in January, is likely to be a compromise. But the crunch could come a year hence if big and unpopular cuts are needed to get back on track for monetary union.

With the economy recovering at 2.5 to 3 per cent a year, the new administration takes over in a reasonably optimistic atmosphere. Mr Guterres's new-leaf, market-oriented Socialist party has the chance of setting the scene for others in Europe, not least the UK, where the parallels with Mr Tony Blair's Labour Party are uncanny.

If the mood in Portugal is as positive two years from now, it will be an achievement worthy of a Pombal.

Unlike previous Portuguese prime ministers who lived in the elegant São Bento palace, the head of government's official residence, António Guterres has decided to commute to work from his own Lisbon flat. The Socialist leader's break with a tradition, begun by the authoritarian António de Oliveira Salazar, reflects an election promise to make his government approachable and responsive.

He was clearly not considering his own convenience. From the palace, it is only a few minutes walk through manicured gardens to a private entrance at the rear of the parliament building.

The new prime minister has vowed to attend parliament at least once a month to answer questions, in contrast to his predecessor, Aníbal Cavaco Silva, who was persistently attacked by the opposition for staying away.

Originally an electronic engineer, Mr Guterres, 46, has no previous experience in government. But his political skill has been evident in the updating of the Socialists into a party prepared to embrace a strong market economy together with more traditionally left-wing social concerns.

As Socialist leader for the past three years, he has embodied the aspirations of a younger generation of socialists who believe that higher social spending and a caring state are not incompatible with fiscal discipline and privatisation. His test will be to make that program work.

His social concern is rooted in religious belief. He is a practicing Catholic who, after social work in shanty towns as a youth, chose politics rather than the priesthood as a way of helping the poor and excluded.

Mr Guterres is a fluent and forceful speaker who also sees himself as an accomplished listener – a quality perhaps reflected in his love of opera – "winning an election does not mean you are always right," he says. "Others' opinions must always be taken into consideration."

During the campaign, he said: "Let there be no illusions. Our economy needs to be modernised and that modernisation

will incur social costs. We will show a rigorous concern over public finances and industrial competitiveness."

The average age of government ministers is 48. Here are profiles of five of them:

António Sousa Franco, finance minister

The appointment Mr Sousa Franco, 53, an independent who has rigorously vetted government spending as head of Portugal's audit tribunal, underlines the Socialists' commitment to the budgetary discipline required to meet the convergence targets for European economic and monetary union in 1999 and has been warmly welcomed by financial markets.

He was a member of Social Democrats from 1974-79 before leaving to become a founder of a small left-of-centre party, the ASDI, that has since faded away. He had earlier served as finance minister in a short-lived government in 1979 and has been head of the law faculty at Lisbon's prestigious Catholic University since 1989.

He was appointed president of the audit court by the PSD in 1986, establishing a reputation as a stern overseer of public spending who resisted government pressure to turn a blind eye to non-budgeted spending and poor accounting.

The choice of Mr Sousa Franco, respected for his technical knowledge of national finances and disciplined approach to public spending, has won strong approval from business leaders who see him

Daniel Bessa, economics minister

A professor of economics at Oporto University since 1970, Mr Bessa, now 47, has been given responsibility for industry, energy, trade and tourism – areas divided between two ministries in the previous government. The idea behind creating what has been dubbed a "super-ministry" in the Portuguese media is to produce an integrated economic policy and avoid inter-ministerial clashes over trade and industrial policy.

Mr Bessa, who has not previously served in government, was one of the chief architects of the Socialists' economic programme and was also the party's economic spokesman. Key reforms advocated in the programme include providing a minimum guaranteed income for poor families and paying the unemployed the equivalent of a productive wage in return for community work. He aims to give Portuguese companies a better opportunity to participate in Portugal's privatisation programme.

He has promised to end the double taxation of companies who pay corporate tax on their profits and withholding tax on their dividend income. He also inherits the state's case against Renault, the French car maker,

which is being sued by Portugal over its decision to close a plant employing 780 workers in southern Portugal. He will also have to rule on demands from small shopkeepers to restrict the Sunday opening of hypermarkets.

António Vitorino, minister for defence and the presidency

One of the youngest but most politically experienced members of the government, Mr Vitorino, now 38, was first elected to parliament at the age of 23. By the age of 37, he was secretary of state for parliamentary affairs in a coalition government. Now a key member of Mr Guterres' inner circle, he is known for his wit and good humour as much as for his political skills.

The fact that his new posts are traditionally reserved for the second and third most important ministers in the cabinet hierarchy reflect his importance within the new government. A lawyer, Mr Vitorino has also served in the government of Macau and is a judge on the constitutional court. He was the Socialists' main candidate in last year's election for the European Parliament. One of his tasks will be to implement the Socialists' proposals to phase out compulsory military service. He will also have to decide on pressing claims for increased compensation from many thousands of former servicemen who were handicapped during Portugal's colonial wars.

José Lamego, secretary of state for foreign affairs and co-operation

Mr Lamego, 43, gained much of his experience in foreign affairs as right-hand man to Mr Guterres in the Socialist leader's role as co-president of the African Committee of the Socialist International. Mr Lamego has closely accompanied the establishment of multi-party democracy in Portugal's former African colonies and the transition to multi-racial government in South Africa.

Similarly to José Manuel Durão Barroso, foreign minister in the outgoing Social Democrat government, Mr Lamego began his political career in a small Maoist group known as the MRPP, which attracted a number of radical student opponents to the Salazar dictatorship who were loathe to align themselves with the pro-Soviet Communist Party.

Elisa Ferreira, minister for the environment in the new government, was also a member of the MRPP.

In 1972, Mr Lamego was shot and wounded in the leg by an agent of Salazar's political police force, the PIDE. During his imprisonment, he was tortured by being forcibly kept awake for 16 days. He was among the first group of political prisoners to be released from solitary confinement after the overthrow of the dictatorship in 1974.

Trained as a lawyer, his academic career took him to Munich for several years. He

has also been a consultant to the World Bank on institutional development in Africa.

Mr Lamego joined the Socialists in 1985 and was party secretary for international relations until his government appointment.

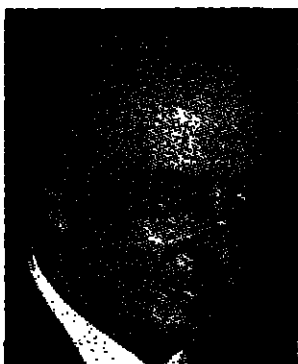
Jaime Gama, foreign minister

One of the members of the new cabinet with the most experience of government, Mr Gama, 48, was named home affairs minister at the age of 27 and from 1983 to 1985 was foreign minister in a coalition government that united the Socialists and Social Democrats.

Born and raised on the Azores islands, he was an unsuccessful candidate for the leadership of the Socialist Party in 1988 and 1993.

One of his first tasks will be to decide on Portugal's contribution to the Nato peace-keeping force in the former Yugoslavia. Efforts to secure self-determination for East Timor, the former Portuguese colony invaded and annexed by Indonesia, will also be prominent on the foreign policy agenda.

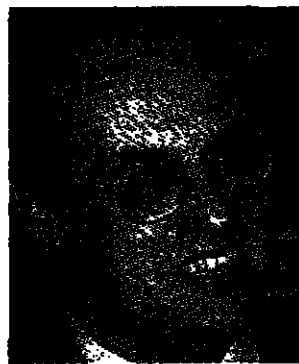
The most pressing bilateral issue is Spain's planned transfer of water from rivers that flow into Portugal. (see page four). On an administrative level, he will be faced with demands for improved benefits and conditions from the diplomatic service, a labour dispute that has led to strike action at Portugal's embassies and consulates throughout the world.



António Sousa Franco



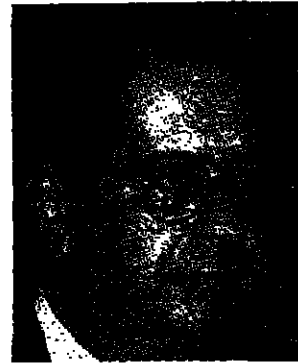
Daniel Bessa



António Vitorino



José Lamego



Jaime Gama

■ After the election: by Peter Wise

Big test in early months

Differing demands within the cabinet will be among Mr Guterres' biggest challenges

Portugal's Socialists spent 10 years in opposition before returning to power last month amid expectations of more social spending at home and demands for budgetary discipline from Brussels. How they rise to these challenges during their first six months of office is likely to determine whether they will achieve an equal longevity in government.

"The first few months will be the toughest test," says a senior Lisbon banker. "If the Socialists show a capacity for firm decision-making under the strain of conflicting pressures, they will build credibility for the future."

But faltering attempts to meet irreconcilable demands could erode public confidence and threaten the government's stability.

António Guterres, the new prime minister, comes to office with a thick volume of election promises to fulfill. He has pledged higher spending on education, health and welfare; liberalisation, privatisation and reform to make industry more competitive; and the rigorous control of public finances required to assure Portugal a place among the first group of countries to adopt a single European currency.

Even some prominent Socialists remain unconvinced that these aims are compatible, particularly given Mr Guterres' commitment not to raise taxes. By naming António Sousa Franco, an independent respected for his technical rigour, as finance minister, the prime minister has shown his determination to keep spending in check. But pressure for a bigger share of the budget from other ministers with extensive reform agendas to accomplish is likely to be strong.

Reconciling differing demands within the cabinet will be among Mr Guterres' biggest challenges. A number of the new ministers are independent specialists whose loyalties to the areas where they have made their careers may ultimately prove stronger than to the Socialists if they feel their plans for the sectors they represent are being restricted.

The Socialists could face the

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

the new president of the republic to be elected in January will

could be crucial to the future of the government. Under Portugal's "semi-presidential" constitution, the president has no executive power but plays an important role as a political arbiter, with powers to veto legislation as well as to dissolve parliament and appoint governments to resolve political crises.

President Mario Soares, the founding father of the Socialists whose stature in the party has been eclipsed for the first time by Mr Guterres' triumph, is barred by the constitution from standing for a third consecutive term. The two main candidates to succeed him are Jorge Sampaio, the Socialist mayor of Lisbon, and Mr Cavaco Silva, who had been prime minister since 1985.

Critics within the PSD have attacked Mr Cavaco Silva for sacrificing the party's interests to his individual political ambitions by stepping down from PSD leadership last February and leaving his faithful deputy, Fernando Nogueira, to fight the general election as support for the government waned. The PSD is temporarily suppressing its internal divisions, but Mr Nogueira's leadership is likely to be challenged after the presidential elections.

Mr Cavaco Silva is clearly hoping that Portuguese voters will continue to show a long-standing preference for electing presidents from the party opposing the government, so that each acts as a political counterweight to the other. But he has a long lead to claw back in a short time.

His public image is that of a lonely decision-maker and austere manager of the economy rather than the ebullient figure of tolerance and unity that has won enormous popularity for President Soares, 70. Borrowing half of the Musketeers' motto for his campaign slogan "One for All", Mr Sampaio's approach to the presidency is similar to that of Mr Soares.

As prime minister Mr Cavaco Silva often indirectly accused President Soares of intervening in party politics to Portugal's detriment. But he acknowledges that as president he would seek to emulate, in his own style, Mr Soares's promotion of political dialogue and national harmony. There is little question, however, that Mr Guterres, also a champion of dialogue, would find it far easier to converse with a Socialist president.

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

risk of Mr Sousa Franco's resignation if he feels his efforts for budgetary discipline are being undermined by other members of the government.

"He is not the kind of man to put up for very long with any lack of definition or turn-around on fiscal policy," says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Communist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall majority would make it politically more vulnerable if it faced widespread opposition from important sectors of society.

National mood

After being deprived by dictatorship of meaningful elections for almost half a century, Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's general election as being a precise reflection of the nation's mood.

Voters chose to switch from a stable centre-right government to a stable centre-left

one. However, they gave the Socialists a majority just short of outright that is likely to keep Mr Guterres attuned to public opinion. Eight years of a Social Democrat (PSD) government with an absolute majority bred allegations of patronage and inefficiency.

Support for the government of Aníbal Cavaco Silva, the former prime minister who announced he was bowing out eight months before the election, was further undermined by slow recovery from two years of recession.

After swinging the Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest victory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 achieved by the two parties on the right: 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hard-line Communists, who have 15 seats, join forces with the right.

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European convergence. But it would be hard for the PSD to justify holding back support for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) – unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

We have solidity...



A good memory...



History...



And, ever increasing agility.

Rua Joaquim António de Aguiar, 3 - 1070 Lisboa-Portugal
Telephone: 351-01-386 08 57 - Fax: 351-01-386 01 16

Economic policy by David White

The Emu recipe is proving difficult to swallow

The country is striving to meet the criteria for EU single currency membership

A recent trend in Lisbon - along with the proliferation of African night clubs - is of restaurants that are identified with a single dish, offering no choice on the menu.

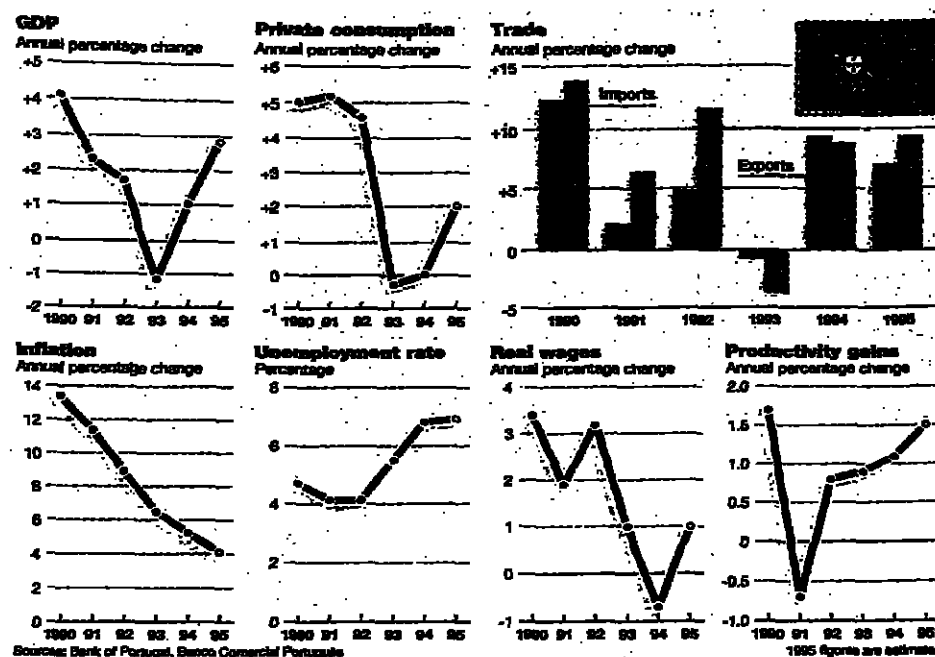
Economic policy, which once cultivated something of an easy-going African ambience, has now become like a single-item menu. There may be variations in the desserts, but the main course is convergence for European monetary union.

The aim of achieving Maastricht treaty objectives and qualifying for the third phase of monetary union is central to the programme of the new Socialist government, as it was to the centre-right Social Democrat party administration which preceded it. The targets are being doggedly pursued in spite of widely-held doubts about Portugal's chances of fulfilling all the criteria in time to join a unified currency in 1999.

Submitting to the discipline of the Maastricht criteria - covering exchange rate stability, inflation, interest rates, the budget deficit and public debt - is a painful exercise. After success in cutting inflation, the prime difficulty for Portugal is whether, or when, it can reduce its long-standing state deficit to the required level of 3 per cent of gross domestic product.

"We're making the efforts and paying the price to be in," insists Mr António de Sousa, governor of the Bank of Portugal. He says that with "clear political will" Portugal still has a chance of meeting the criteria.

"We are close enough to the 3 per cent to be able to do it in two years without major disruptions," he says. "It is not something out of this world." He believes budget control is the crucial test. "There we can



make a clear sign to the markets that we are for real in terms of what we believe in."

However, although the Socialists are firmly committed to the Emu programme, they appear less insistent than their predecessors about Portugal being in the first group of countries forming a single currency. How Mr António Guterres's new government plans to reconcile Emu commitments with its promises in social fields - and its pledge not to raise tax rates - is still unclear. Its first budget is not expected until after the election for president of the republic, the first round of which is set for January 14.

Official expectations are for a 1995 public deficit of about 5.2 per cent of GDP, rather less than initially expected, down from 5.8 per cent last year and 7.2 per cent in 1993.

But private sector economists believe the government will need to make sizeable tax increases if it is to meet the target, unless revenues are boosted by higher economic growth. And they see an economic

speed-up now as unlikely despite the increased inflow of EU funds.

"What happens doesn't depend on political will, but on the evolution of the economy," says Mr Rui Martins dos Santos of Banco Português de Investimento.

Prospective membership of the planned single currency also hangs to some extent on Spain. Even if Portugal did meet the criteria, economists believe it would be unrealistic for it to think of joining if Spain remained outside. As became clear in March this year, when the escudo had to go half-way in following a realignment of the peseta within the European Monetary System, the two are implicitly linked. Spain competes not only in the Portuguese market but also in many of the same export markets.

Since the escudo's 3.5 per cent devaluation, the currency has held its ground around the middle of its band in the EMS exchange rate mechanism, and has been spared speculative attacks. Its effective rate

against the average of major currencies has appreciated, with some damage to Portuguese competitiveness.

Inflation, at a 12-month rate of 4 per cent, is a third of what it was at the start of the decade. In July it reached a low point of 3.7 per cent, a level not seen for more than 20 years. The rate has been helped by slow growth in consumer demand, a favourable trend in import prices and strong competition in the retail sector.

Real wages are expected to show some increase this year, but probably less than the gain in productivity. Although unions and employers have failed for the past two years to agree on a framework social pact, the expectation is for mostly moderate wage deals in the light of worries about unemployment. The registered jobless rate, at about 7 per cent, may be low by European - and especially Iberian - standards, but it is historically high for Portugal.

The central bank believes the country may be able to

achieve some increase in its growth rate next year, but the prospects appear limited. Mr Miguel Namorado Rosa, director of studies and planning at Banco Comercial Português, the largest commercial banking group, forecasts that growth next year will remain close to this year's expected rate of around 2.75 per cent.

Recession, lasting from late 1992 to early 1994, was followed by a modest export-led recovery, with an acceleration this year thanks largely to public investment. But merchandise exports - about 80 per cent of which go to EU markets - have been less dynamic, order books have shrunk, inventories have increased and industrial output has slowed since the early part of the year.

This growth forecast is below what the government would need to provide sufficient budget revenues to be able to fulfil promises such as a guaranteed minimum income, and at the same time to put the country on track for monetary union. It may obtain part of this revenue by improving tax collection; according to economists, tax evasion may account for as much as 3 per cent of GDP, with only one in four companies declaring profits.

The broad lines of the privatisation programme begun under the previous government are expected to be kept, and sales over the next two years stand to bring in some Esc700bn. By law, this cannot be used to fund government spending but must go to repaying state debts.

Mr Namorado Rosa is not alone in questioning whether Portugal can achieve its public deficit target in the medium term. But he believes there is "a high probability" that the country will be in a position to join a second or third group of Emu countries.

"If not," he says, "we will probably find ourselves becoming an island, with no foreign direct investment, no credibility and successive Escudo devaluations."

PORTUGAL Key facts

Area 92,390 sq km of which 34 per cent is crop land; 9 per cent under pasture; 32 per cent forestry and woodland; 24 per cent for other uses; coastline, 1,114 miles.

Population 9.8m.

Government Head of state: President Mario Soares, (until March, 1996). Head of government: António Guterres, prime minister.

Languages Portuguese, but people in business and politics generally speak excellent English, French and Spanish.

Currency Escudo (Esc): 100 centavos. Credit cards and travellers cheques are widely accepted. Import of local and foreign currency is unlimited.

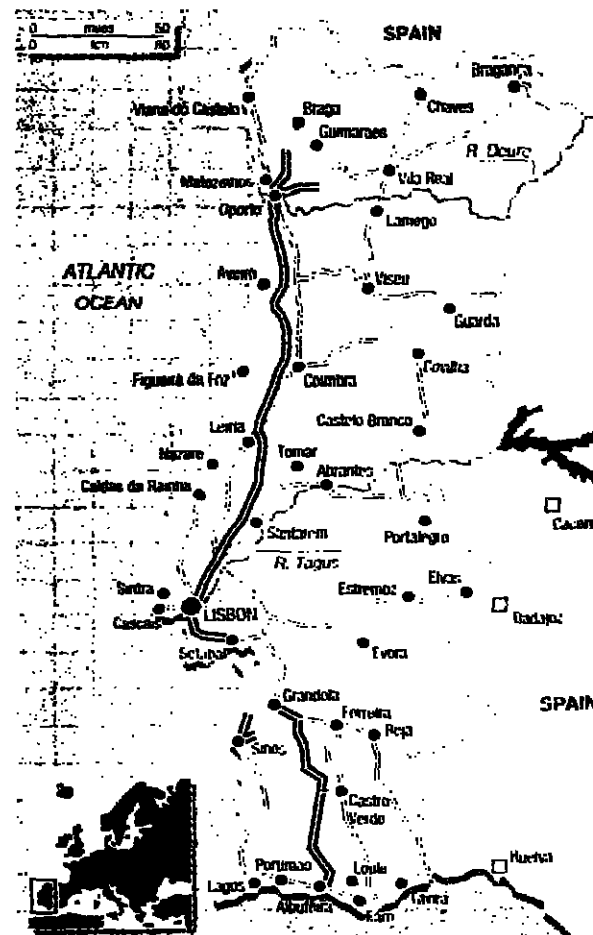
Main cities Lisbon, the capital; Oporto, Setúbal. Lisbon is one of western Europe's safest capitals; muggings and violent crime are relatively rare.

Business hours Banks, 0930-1500, Monday to Friday; offices, 0900-1300 and 1500-1900, Monday-Friday; shops, 0900-1300 Saturday, 1000-2300-2358, Monday-Sunday.

Climate Mild, Mediterranean climate, which is moderated by the influence of the Atlantic. Summers are hot and humid, while winters are relatively mild. Inland areas have more variable weather than coastal regions.

Time GMT +1 hour (+2 hours in summer).

Economy Gross domestic product: +1.0 per cent in 1994; 1995 (estimate) is +2.8 per cent. Inflation: 4 per cent in 1994; August, 1995: 4 per cent. Trade deficit (Jan-July, 1994): Esc726.9bn; 1995, Esc982.6bn. Current account deficit, (Jan-July, 1994): Esc205.7bn; 1995,



Esc530.2bn. Official gold and currency reserves, August, 1995: \$21.5bn. Net transfers from EU: 1993,

Esc456.4bn; 1994, Esc260.5bn. Unemployment, second quarter, 1994: 6.7 per cent; 1995, 7 per cent.

Business hints Appointments must be made in advance, punctuality is appreciated; the Portuguese are extremely courteous and helpful to foreigners; bureaucratic processes may be protracted and trying, requiring tact and patience. Much business is conducted over lunch and dinner; request permission before smoking in offices and restaurants; service charges are normally added to restaurants bills; further gratuities of around 10 per cent are optional; gratuities are customary for taxis.

Sources: FT Statistics; Bank of Portugal; Ministry of Finance; BCP.



President Mario Soares

months

BOLSA DE VALORES DE LISBOA

Fundamental reforms over the past three years place Lisbon Stock Exchange among the most advanced exchanges in Europe.

Some of the most important measures include the implementation of continuous computer trading, integration with the clearing and settlement system managed by Interbolsa - a non profit civil association. Financial settlements are supported by a Central Depository and financial settlement at t+4 is guaranteed by the Central Bank through individual current accounts of each authorised financial intermediary.

Other important measures introduced recently comprise the agreement between Lisbon and Oporto stock exchanges to concentrate the Portuguese cash market in Lisbon and develop a derivatives market in Oporto in northern Portugal.

The cash market now operates in Lisbon, allowing for particularly for listed companies to pay to maintain their listing.

The main reform was the incorporation and the creation of a new body open to all for transactions at lower costs.

The reform changes the Portuguese market, and the new rules and regulations.

ASCOM DEALIT - Sociedade Financeira de Corretagem, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

ADON - Sociedade Financeira de Corretagem, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

CA - Companhia Financeira Internacional, Sociedade Comum, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

CA - Companhia Financeira Internacional, Sociedade Comum, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

CA - Companhia Financeira Internacional, Sociedade Comum, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

Tel: 3473228 Fax: 3473211

AV. DE ALVARO DE ALMEIDA, 100 - 1.º - 1099-1 Lisboa

CA - Companhia Financeira Internacional, Sociedade Comum, SA

Rua de Corretagem, 131 - 1.º - 1100-1 Lisboa

4 PORTUGAL



Traders in Lisbon: signs of relief

Financial markets by Peter Wise

Brokers see healthy gain

The markets have been reassured by a stable outcome from the election

For Portugal's financial markets, the main issue at stake in October's general election was not which of the two main political parties would win, but by how much. Fears that the vote would produce a weak minority government or an unstable coalition after a decade of majority rule undermined investors' confidence in the months preceding the ballot.

The Socialists' victory with a stable, if not absolute, majority reassured markets, which had already discounted the possibility of a hung parliament. By the time the new government had been sworn in a month later, share prices had risen by just under one percentage point and the escudo had remained relatively firm against the D-Mark.

Brokers saw this as a healthy monthly gain in a year in which the overall value of shares, in escudos, fell by about five per cent from January to the beginning of November. However, because of the relative weakness of the dollar, prices gained about three per cent in dollar terms over the same period. Traders' concerns are now more focused on the instability of international currency markets and the impact on investment flows to emerging markets such as Portugal than on domestic political issues, says Pedro Andrade, an equity analyst with Lisbon brokers Fincor.

In his first speech as finance minister, António Sousa Franco helped smooth the government transition by announcing two years of economic rigour involving a sharp reduction of the budget deficit before the Socialists would begin implementing their more ambitious – and costly – plans for social reform.

Analysts are forecasting a continued rise in share prices to the end of the year, buoyed by some encouraging corporate results. But the main share indices are expected to end 1995 at about the same level as they began the year.

Portugal is suffering a down cycle after two years of high

growth. The Lisbon stock market performed better than any other European equity market in 1993 and was in second place in 1994. Share prices rose by an average of 8.4 per cent last year compared with 1993.

In 1993 they had risen 53 per cent over the previous year. Total turnover, including bonds, increased 34 per cent last year and 97 per cent in 1993. But the market fell this year as prices on most other European bourses rose.

This year Lisbon has been reacting to market sentiment and political forecasts but showing itself indifferent to economic fundamentals. The fact that the economy is widely considered to be sounder than in Spain or Italy, as inflation falls to historic lows, the budget deficit is reduced and the exchange rate is kept stable, has singularly failed to influence share prices.

Crucial issue

Foreign investors account for about half the turnover of the Lisbon stock market. The flow of foreign funds into Portuguese securities in the first seven months of 1995 totalled \$329.6bn. In this context, maintaining international confidence in Portuguese equities is seen as crucial to the expansion of the market.

Daniel Bessa, the new economics minister, stressed the need for stronger flows of foreign capital into Portuguese securities in one of his first public statements. Concrete measures that brokers would like to see implemented include approval for a persistently delayed launch of a Portuguese derivatives market in Oporto and the publication of regulations for short-selling operations that the market has been waiting for since 1991.

"Both these initiatives would increase the liquidity of the system, a fundamentally important step for attracting foreign investors," says Pierre Boule, head of research for Fincor. "However, the view of the Socialist government on these developments is unknown and there is always a risk that they will be regarded by some of the party's economists as dangerous because they favour speculative behaviour."

Foreign relations by Peter Wise

A more forceful attitude expected

With widening public disillusion over Europe, the Socialists are likely to take a tougher position on European policies

Jacques Delors intended a compliment when as president of the European Commission in 1992 he described Portugal as the *bon élève* of Europe. But for the opposition Socialists this was faint praise that damned the centre-right government for weakly concurring to every whim emanating from Brussels in return for financial aid.

Following the election last month of a Socialist government for the first time since Portugal joined what is now the European Union in 1986, it is reasonable to expect a more forceful attitude from Lisbon on a number of European issues. But there is little risk of the country turning overnight into Europe's *enfant terrible*.

The new government will probably stand up and say 'no' to Brussels once or twice, but it will be more a change of posture than of substance," says a Lisbon analyst of European affairs. "Basic policy will remain the same. The Socialists may become more assertive on questions such as tomato pulp quotas, but they will avoid any fundamental rift with Europe."

Portugal's enthusiasm for

Europe was at its peak when the Social Democrat (PSD) government of António Cavaco Silva won the controversial "good pupil" plaudits from Mr Delors. Huge inflows of EU aid – estimated to have accounted for at least one percentage point of annual gross domestic product growth at their height – stimulated modernisation that gave many Portuguese their first taste of western European affluence.

But that viewpoint has since soured for several sections of society. The backwardness of farming and fishing has been cruelly exposed by the European single market as the big new supermarkets now turn to Spain and other European countries for supplies that, although available in Portugal, are inefficiently produced or marketed.

Small industrial companies in traditional sectors such as clothing, textiles, and footwear face a similar plight, with the added difficulty of European markets being opened to competitors from Europe and elsewhere – who have lower wages and costs – under the reformulation of the General Agreement on Tariffs and Trade.

Once seen as a benevolent provider, the EU has become a scapegoat for the country's ills for a growing number of Portuguese. The rightwing Popular Party skillfully tapped a deep-seated cynicism about the EU to increase its vote to 4.4 per cent of the total in 1991 to 9.1 per cent in last month's gen-

eral election, winning 15 seats in parliament compared with five previously.

Widening public disillusion with Europe helps explain why the Socialists are likely to take a tougher position on details of European policies directly affecting Portugal and pursue a moderate but committed policy towards further European integration.

"The Socialist Party is strongly pro-European but we are not Euro-fanatics," says José Lamego, the secretary of state for foreign affairs and

The EU has now become a scapegoat for the country's ills

co-operation in the new government.

"We don't want developments in Europe to be so fast that public opinion has difficulty in accepting them."

This measured philosophy will underlie Portugal's position at next year's Intergovernmental Conference on Europe. The Socialist government appears ready to sanction the "third pillar" of European integration – a co-ordinated system of running justice and home affairs such as visa requirements – but it does not support the "fourth pillar" of a common defence organisation.

Water supplies and irrigation by David White

Dispute over fluid frontiers

Water defines Portugal's borders and its delicate relationship with its neighbour, Spain

The border between Spain and Portugal, one of the world's most durable frontiers, is made up in part of a series of rivers. Today, the water in these rivers is the main issue dividing the two countries.

Three of the five main rivers in the Iberian peninsula rise in central Spain and flow through Portugal into the Atlantic – the Douro (Douro in Spanish), the Tagus (Tago in Spanish), and the Guadiana. All form a section of the political border for part of their course.

Portuguese public opinion has become extremely sensitive to the question of how much water the country receives and is set to receive in future, its quality, and the potential damage its exploitation may have on the environment.

Before winning its way into government in October, the Portuguese Socialist Party was urging a tougher stance towards the Socialist government in Spain over water. Mr António Guterres, now prime minister, said he was prepared

to break off discussions and take Spain to an international court. The outgoing centre-right government already considered the issue to be the country's most important bilateral foreign policy concern.

The fact that water is a less important issue to the Spanish does not help matters. Spain, the larger and more prosperous neighbour, is always a touchy issue in Portugal, all the more so when combined with the spectres of water scarcity and drying fish.

"Spain is a ghost that is in some people's heads," says a senior official in the new Lisbon government, "but this is a real issue and we must face it very firmly." He adds that Portugal would like Brussels to become directly involved in setting plans.

Spanish officials disagree. "We can settle problems between the two countries perfectly well," they say. There is much common ground on the question. Talks, they add, must be kept "technical, cool and practical."

The water dispute has grown in proportion to the seriousness of the drought affecting much of the peninsula. The dry cycle has so far lasted four years, the worst this century, and has provoked internal battles between Spanish regions desperate to secure supplies. The Portuguese are worried

about Spain's National Hydrographic Plan, a vast long-term project which includes a \$6bn scheme for a series of canals to pump water from the rainy north to the south and south-east of the country.

Geography has made things uncomfortable for Portugal. The amount of water generated within the country in a normal year is put at 31.100 cubic hectometres of which 18,800 comes from the Portuguese sections of rivers shared with Spain. Within Spain, those same rivers generate 45,000 cubic hectometres. The core of the question is how much of that Portugal gets after Spain has taken its share.

Negotiations

The two sides have been negotiating since last year on ways of harmonising their water programmes. Both need water mainly for farming (78 per cent of water use in Portugal). Both agree that existing accords, made in the 1960s between Franco and Salazar, need updating.

These cover five international rivers. The two northernmost are the least problematic. These are the Minho (spelt Miño in the Spanish version), which does not actually flow into Portugal but forms part of the border, and the Lima, which has only a small

part of its basin in Spain. The three bigger rivers are crucial to both countries, and mostly lie in Spain.

The first of the bilateral agreements, in 1964, was on sharing the international stretch of the Douro, which is fed from the mountains of northern Spain. Both countries want to increase the area under irrigation in the basin, and Spain has plans for diverting water southwards. Mr Pedro Cunha Serra, appointed under the last government to head the Water Institute, which comes under Portugal's environment ministry, says this could pose problems for Portuguese hydroelectric production and for the environment.

Portugal's permission is needed before the plan can go ahead. Mr Cunha Serra does not rule this out, depending on the proposals' environmental impact. The transfer would, in any case, not be allowed in the summer months. And it would have to come from stored reservoir water rather than the flow of the river – "it would probably be acceptable," he says.

The Tagus, longest of the Iberian rivers at over 1,000 kilometres, with the capitals of both Spain and Portugal lying in its basin, is already at the centre of a tug-of-war between Spanish regions. A canal-and-

integration. Mr Guterres says: "What we do not want is for widening to limit deepening, reducing efforts for European integration to the creation of a big internal market, or the construction of an *a la carte* Europe... in which each country could choose to adopt some common policies but opt out of others."

Another worry is that shifting the EU's centre of gravity to the east could lead to European neglect of the developing world – "even if Europe has other priorities, we are particularly concerned that it does not forget the Mediterranean area, the Arab world or Africa," says Mr Lamego.

Following the independence of its former colonies in 1975, Portugal turned to Europe as the overriding priority of foreign and trade policy less than two decades ago, after abandoning a more Atlantic-oriented stance. But it still hopes to build on the historical and cultural ties established during 500 years of colonialism to gain greater diplomatic influence in the world.

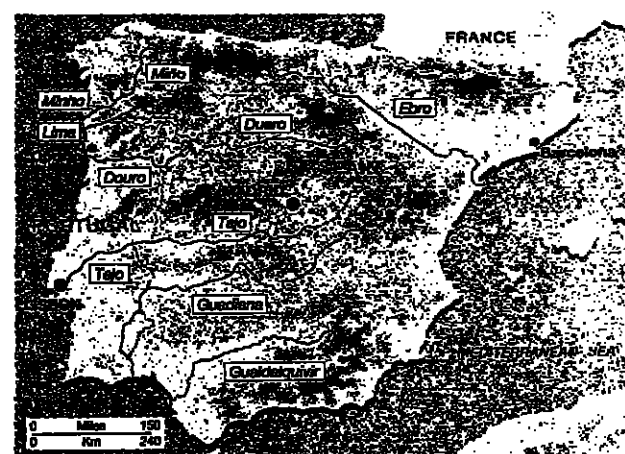
A summit meeting in Lisbon next year is due to set up the Community of Portuguese Language Countries (CPLP), a commonwealth whose aim is to endow Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal and São Tomé e Príncipe – representing more than 170m Portuguese speakers – with more cultural, diplomatic and economic weight as a co-ordinated group than they

could expect to acquire individually.

An equally important motive for forming the CPLP appears to be a belated effort by Portugal to assert a cultural influence that is increasingly coming under threat in its former colonies. Mozambique has applied to become a full member of the English-speaking Commonwealth. Guinea-Bissau and São Tomé e Príncipe have made similar overtures towards La Francophonie, the French-language equivalent.

The Lisbon government will also seek to involve the EU more in the resolution of its dispute with Indonesia over East Timor, a foreign policy issue to which Portugal attaches the utmost importance. The former Portuguese colony was invaded by Indonesia in 1975 and formally annexed in defiance of United Nations resolutions. The Indonesian military continues to be widely criticised for human rights violations in the territory.

Portugal will continue to pursue its goal of self-determination for the East Timorese through negotiations being conducted under UN auspices. Mr Lamego hopes European and other countries can help in confidence-building steps that could include the opening of a Portuguese embassy in Jakarta. Portugal and Indonesia currently have no diplomatic ties.



tunnel link from the two big reservoirs at its headwaters east of Madrid supplies the dry south-east of the country. This project was taken into account in a 1968 Spanish-Portuguese pact, covering the remaining international rivers. "We accept that water transfers are necessary in a climate like this," says Mr Cunha Serra.

The agreement was based on a trade-off between dam projects on the different rivers, with Portugal anxious to keep the Guadiana for irrigation schemes in the arid Alentejo region.

Main problem

Although the Tagus and the Douro make sensitive public issues – with the population centres of Lisbon and Oporto lying on their estuaries – the Guadiana is the biggest problem. Portugal has resumed work on a long-delayed giant dam, for both irrigation and electricity, at Alqueva. Spain's irrigation plans on its side of the border are, Mr Cunha Serra says, incompatible. He explains that since the 1968 agreement, Spain has been using more of the water from the Guadiana than was agreed, although the total flow

has been higher than the original estimate and Portugal has received almost its target amount. New Spanish irrigation schemes would cut this volume by more than 500 cubic hectometres a year, he reckons. This would leave the Portuguese region with enough for its supplies but not enough to save the environment.

The dangers are particularly acute because of the highly irregular flow of the river. At the moment, says Mr Cunha Serra, the only water flowing into Portugal has already been used for irrigation or other purposes. "For this whole year, we have wasted water in the Guadiana," he says.

"What we are discussing is how much water is being used? Are environmental conditions being respected? And are our water rights being respected?" If Spain goes ahead with all its schemes as planned, the answer to the last two questions will definitely be No, he argues. Spanish officials point out that the plan – the first version appeared in 1993 – is still under debate internally. With general elections due in March, it is unlikely to be approved in the current legislature. "Portugal should not be worried," they say.

Water supply networks by Peter Wise

The stakes are high

Large European water companies are keen to gain a firm foothold in Portugal

Until recently, Mafra, a town of 26,000 people, 30kms north of Lisbon, had only one claim to fame: a sprawling monastery with 4,500 doors and windows built by King João V in the early 18th century to thank God for granting him an heir.

But this year the town achieved new prominence as

the first municipality in Portugal to privatise the management of its water supply and sewage services. Nine international consortiums, several of them headed by European water companies, competed for the 25-year contract.

The battle of the water giants for the small community of Mafra was evidence of the high stakes being played for in the modernisation of Portugal's water distribution system, considered to be among the least efficient in western Europe.

Banco Easi, a Portuguese investment bank, estimates that \$1,000bn will be invested in water supply between 1994 and 1999. An expected \$300bn is to be spent on high-pressure main supply systems, of which

\$240bn will be funded by European Union and Portuguese government grants. A further \$700bn is to be invested in low-pressure domestic distribution systems, with \$300bn of that amount being provided in aid.

In recent years, Portugal has made considerable strides in extending its water supply network. Almost 94 per cent of homes had running water in 1994 compared with 82.1 per cent in 1987; 86.4 per cent had a bath or shower compared with 67.7 per cent seven years earlier. The number of homes with an inside lavatory rose to 88.8 per cent from 69.7 per cent over the same period.

But the quality of the water supplied and the efficiency of the system lags considerably behind most other European countries. The huge invest-

ments required to meet standards stipulated by EU water directives, and more impending privatisations, are seen as an attractive opportunity by water companies.

Generale des Eaux, the French water construction and communications group, won the Mafra contract in competition with companies such as Aguas de Barcelona and Aguas de Valencia, both of Spain, and a group involving Severn Trent of the UK. Companies believe that by applying their technical and management know-how they can both lower tariffs to consumers and achieve a good return on their investment.

Contract bids

Six international consortiums are now bidding for a contract to manage the water supply system of the municipality of Fafe in northern Portugal. A total of \$10m, largely from EU funds, is to be invested in modernising Fafe's water supply system over the next three years.

Only 67 per cent of the area's 48,000 residents currently have running water in their homes. Coverage is due to be extended to 95 per cent under private management. The contract winner will pay a rent of \$50m a year to the municipality, which is all to be reinvested in improving the water system.

New legislation for restructuring Portugal's water supply sector defines two separate models: water systems covering more than one municipal

area can be privatised up to 49 per cent but will continue to be controlled by public-sector companies; systems covering only one municipal area as well as non-core water services can be 100 per cent privatised.

Until now, Portugal's water supply systems – with the single exception of the Lisbon area – have been managed on a local level by individual municipalities without the investment capacity or the benefits of economy of scale required to provide efficient services, good water quality or reliable supplies.

However, four new multi-municipal water companies are due to be created in 1996 as part of the restructuring and liberalisation of the sector. Establishing the four companies and the related infrastructure will involve an investment of some \$680m from 1995 to 1999, of which EU aid will account for 80 per cent.

The four new public-sector companies will cover the north and south Oporto regions in northern Portugal and the western and eastern regions of the Algarve in the south.

They will join Empresa Portuguesa das Aguas Livres (EPAL), which runs water services for the Lisbon region and is currently the only multi-municipal water utility in Portugal.

The planned partial privatisation of these regional enterprises over the next few years is an additional reason why big European water companies are keen to gain a foothold in Portugal in towns such as Mafra and Fafe.

TAGUSPARK
LISBOA SCIENCE & TECHNOLOGY PARK

GENERIC GOALS

- Bringing together scientists and entrepreneurs.
- Creating an atmosphere that fosters innovation.
- Promoting the creation of knowledge-based companies.
- Attracting national and international technology-based companies.
- Promoting business and employment in a good business environment.

TAGUSPARK S.A. - Rua Cândido Godinho, 41-27
2780 OELHAS TEL: 351 (0) 21 441 69 31 FAX: 351 (0) 21 441 69 36

200 MILLION PEOPLE IN THE WORLD SPEAK PORTUGUESE

Portuguese is important in commerce, industry and diplomacy. Portuguese is spoken in Portugal, Brazil, Angola, Mozambique, Cape Verde, Guinea-Bissau and São Tomé and Príncipe. The experienced team of highly qualified Portuguese teachers at **CAMBRIDGE SCHOOL** can provide the link you need for communicating effectively in Portuguese. Please contact us with your requirements. We are certain that we have a course to suit your needs.

CAMBRIDGE EXECUTIVE SCHOOL

Av. da Liberdade, 173 - 1250 LISBOA - PORTUGAL - Tel: 3527474 (6 lines) Telex 637775 SPILL P - Fax: 3534729

Also in

Oporto • Coimbra • Almada • Funchal

Have your FT hand-delivered in Portugal

Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.

Hand delivery services are available for subscribers in the business centres of Lisbon, Oporto, the Algarve and in Funchal.

Please call (01) 80 82 84 for more information.

Financial Times. World Business Newspaper.

FT Country Surveys on Disk

This country survey is NOW AVAILABLE ON DISK

with FREE Acrobat reader Software from Adobe. For information on back catalogue and subscription,

Tel: +44 (0) 171 873 4356 or Fax +44 (0) 171 873 4862

■ Ford-Volkswagen joint venture: by David White

\$2.6bn investment in AutoEuropa

The joint venture is Portugal's biggest foreign investment and its largest manufacturing project



Ralph Rosignolo: 'we have a very aggressive programme'

What does someone do with a pair of skis on a dusty plain south-east of Lisbon? Ford and Volkswagen have found a use for them at the training centre which is part of their new joint factory complex at Palmela.

Groups of three or four young recruits are told to stand on skis and manoeuvre in unison as part of their coaching in the latest teamwork concepts.

Trainees move purposefully about the building in metallic grey jumpsuits. Snatches of English or German can be heard in the corridors. In both its culture and its dimensions, the plant seems like a settlement from outer space.

The two companies' AutoEuropa venture, inaugurated seven months ago, is Portugal's biggest foreign investment - totalling some \$2.6bn - and the largest manufacturing project ever undertaken in the country. The workforce at the plant itself already numbers just over 3,000, and a further 1,500 jobs have been created at the adjacent business park which provides parts for the factory. Guarded like a military installation, the factory has its own 24-hour fire brigade, fully-equipped medical centre, bank and travel agency.

Exports

At full production, the plant is expected to add as much as 15 per cent to the value of Portugal's total exports, and 5-7 per cent to its import bill. About 5,500 indirect jobs have been created across the country in addition to the direct employment at Palmela. Because of its importance to the national economy, Mr Ralph Rosignolo, the venture's American executive director, says it gets "an awful lot of attention from government".

The trumpeted arrival of

and financial incentives it has received. Mr Rosignolo is sheepish when asked about Renault and about what kind of pledges the Portuguese authorities sought in order to prevent anything similar befalling the Palmela project. But there is a clear difference in the thinking behind the new venture. Unlike Renault's, there is a single production centre for the new model, on a much larger scale, employing more than three times as many people and designed to produce up to 180,000 vehicles a year.

The new vehicle is geared to the market in the rest of Europe rather than to local customers. It is not being launched in the Portuguese market until next month. So far, therefore, 100 per cent of production is for export.

AutoEuropa executives say proudly that it is the first time a Portuguese plant can claim to be actually making a car, with 46 per cent of the content in terms of value produced locally.

The project was born four years ago. The idea of joining forces to make a "people carrier" - minivan to Americans - followed the example of Fiat and the PSA Peugeot Citroën group. The 50-50 Ford/VW alliance was based on collaboration between the two companies in Brazil and Argentina -



The Volkswagen Sharan and the Ford Galaxy

although by the time the Portuguese plant was ready they had decided to break up their Autolatina operation and go their own ways in South America. Mr Rosignolo says the companies opted for Portugal because of its stable political scene, the availability of a young workforce, the presence of an existing motor components sector and the offer of fiscal benefits to offset the cost of transporting cars to northern Europe from the far south-west of the continent. The vehicles almost all go by ship from the port of Setúbal.

Tasks were split between the two companies, with VW in Germany doing most of the development work on the new model and Ford taking the main role in planning factory facilities and purchasing. Mr Rosignolo comes from the Ford stable.

Government and EU funds contributed a third of the \$2.6bn invested in the venture, a figure which includes \$257bn for the factory itself, \$258bn for developing the vehicle and \$242bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr Rosignolo.



Robots at work at the Nave das Carrocerias car plant

AutoEuropa is a production-only company, making cars for the two parent groups' distribution networks. The new vehicle is produced in equal numbers as the Ford Galaxy and the VW Sharan. The two marques are distinguished by different grilles, bonnet shape, lights and interior fittings. Each vehicle identified as one or the other from the moment it begins production. Next year an additional Seat Alhambra version is planned for VW's Spanish subsidiary, the first Seat car to be made outside Spain.

Suppliers

The plant does stamping, body construction, painting, trim and final assembly. Components, including VW and Ford engines, come from 17 European countries. But 10 of the most important local suppliers have set up facilities in the Palmela industrial park, supplying such items as exhaust systems, bumpers, door panels and axles.

This, Mr Rosignolo says, has enabled AutoEuropa to implement not only a "just-in-time" component delivery system to limit inventories, but also a more novel system of just-in-time manufacturing, with local suppliers receiving information from transponders on each vehicle as it passes along the assembly line.

The plant's design, he says, drew on the best examples from both groups, and is aimed at minimum use of space,

material and time. Instead of having everything under one roof, trim and final assembly is carried out in a separate, connected building to allow components to be unloaded as close as possible to the point of use.

The combination of a new greenfield plant, a new vehicle and new logistics and communication systems led to some initial difficulties and a slower-than-expected build-up of production. Mr Rosignolo admits that the company missed its initial targets "by a couple of months," but says it set itself "a very aggressive programme". Output is due to reach 454 vehicles a day by the middle of this month. Most of the plant is now working on two shifts a day. Reaching the full planned production would require a third shift, and probably an extra 1,500 jobs at AutoEuropa and its auxiliary companies.

Expectations are based on the success of this kind of vehicle in the US market, where sales have reached 1.5m a year. Mr Rosignolo attributes the slower trend so far in European sales to the lack of sufficient European manufacturing capacity. "Both the Sharan and the Galaxy are going to make a major impact on the growth of this market," he says. Ford and VW are calculating on a European market of 500,000 by the year 2000, and aim to capture a third of that total.

"We feel that we are at the right place and the right time," says Mr Rosignolo.

■ Literacy report: by David White

Controversial conclusions

Low literacy levels, a legacy of the Salazar regime, now pose serious questions

The Portuguese had to wait until after last month's general election to learn the truth about their education system. An in-depth study on literacy levels came to conclusions so controversial that its organisers decided to hold back publication for several weeks to avoid giving the impression of interfering in the political campaign.

The report raises serious questions about the effectiveness of educational reforms over the last 25 years and the increased funds that have been channelled into the system. The report shows Portugal lagging well behind other European Union or OECD countries. Among its findings, is that more than 47 per cent of Portuguese between the ages of 15 and 64 have little or no ability to read or do sums.

For the new Socialist government, which made much during its election campaign of the need to improve the school system, the report gives an idea of the scale of the challenge being faced. Indeed, the new education minister, Mr Eduardo Marçal Grito was the head of the National Education Council responsible for commissioning the report. The report's main author, Ms Ana Benavente, has joined him as state secretary for primary and secondary schools.

Portugal's backwardness in literacy standards is a legacy of the Salazar regime, which for four decades invested little in schools. Some of its backers were actually proponents of illiteracy, as a guarantee against subversive influences.

"I consider more urgent the creation of elites than the necessity of teaching people how to read," Salazar himself was quoted as saying on one occasion.

In spite of a national campaign for adult education, launched in the 1950s, a quarter of the population was still

illiterate by 1970. Growing prosperity in the 1980s had brought a big rise in the number of school pupils, but not an equivalent increase in the number of schools. There is still a chronic shortage of buildings. In the cities, children attend school in three daily shifts. When teachers fail to appear, classes are dismissed.

Compulsory schooling, set at just four years during the Salazar period, has since been increased to nine years, from age six to 15. But many children leave early, often under family pressure to find work. And Portugal has a relatively low proportion in secondary or higher education.

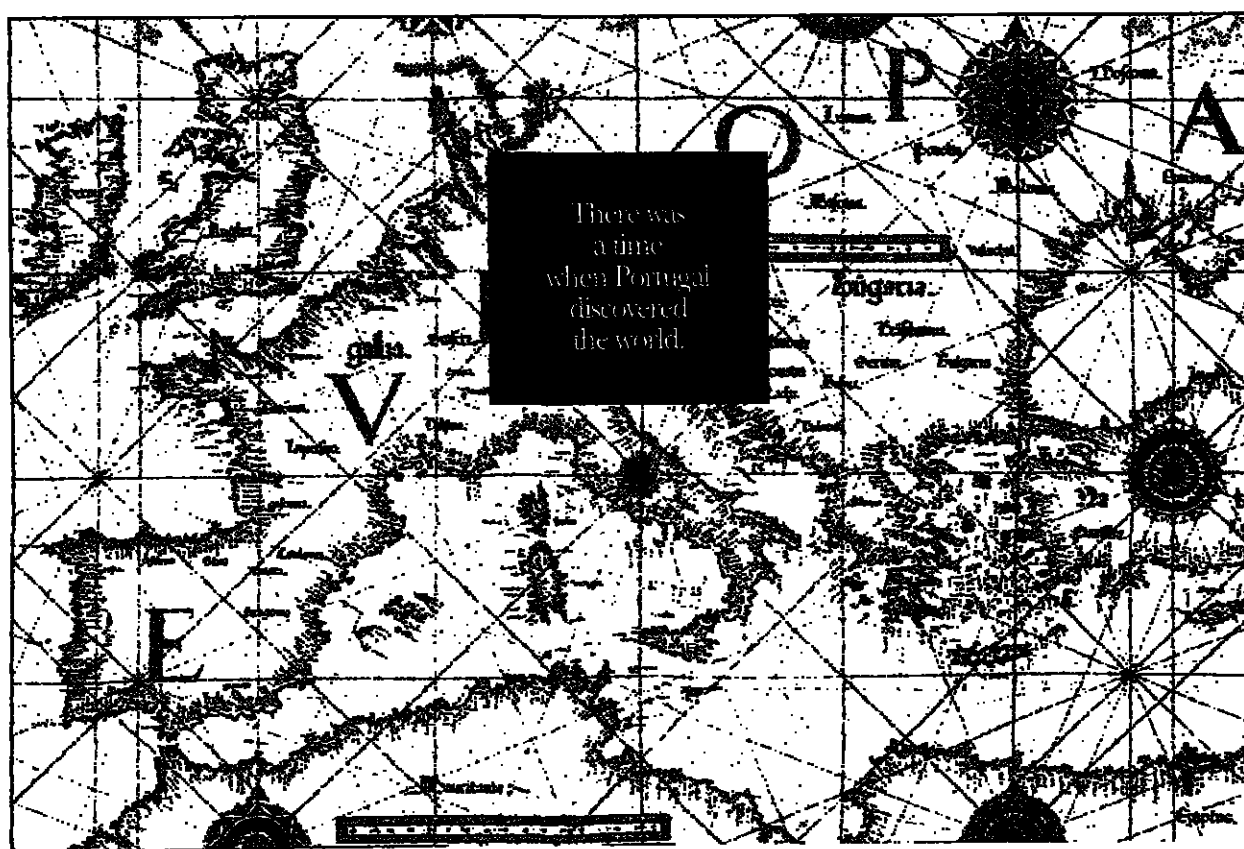
The OECD, in its latest report on Portugal, cites 1991 figures showing less than half of five-to-29-year-olds in full-time education - 17 per cent compared with 57 per cent, for instance, in Greece or Spain.

The National Literacy Study was carried out by Lisbon University's Institute of Social Sciences, with backing from the National Education Council and the Calouste Gulbenkian Foundation. Following methods used in the US and Canada, it set five levels, employing a series of tests.

Almost 2,500 people in the 15-64 age bracket were tested. Of these, just over 10 per cent were at level zero - a level not even considered in the US and Canadian studies.

A further 35 per cent were at level 1, and 32 per cent at level 2. The standard for level 3 included, for instance, being able to understand dosage instructions on a medicine leaflet, and for level 4 working out interest payments on a five-year housing loan. Fewer than 21 per cent in total attained these standards, compared to 84 per cent in Canada.

Unesco statistics indicate that the number of illiterate people fell 20 per cent in the 1980s, but at the end of the decade still represented 15 per cent of the population and 18.5 per cent of Portuguese women. This reckoning puts Portugal behind countries such as Paraguay or the Philippines.



There was a time when Portugal discovered the world.

Now it's time to discover us.

PORTUGAL
A LAND FOR YOU

Our strategic location, as well as the political and social stability of one of the European Union's fastest-growing economies, have clearly put us on the map.

That's why an increasing number of multinational companies are setting up business in our country. After all, investing in Portugal opens a gateway to a market of 170 million people.

For more information, contact ICEP. We'll help you find the right way to get there.

ICEP

Portugal

Living Energy



Self-Service

24 Horas

Super
S/chumbo 98

GALP

Lavagem

Lubrificação

GALP
GÁS

Pneus

GALP
FROTAGALP
FROTAGALP
FROTA

Portugal is the most important company in Portugal, with a turnover of US\$ 3.8 billion, and has the only refining operation in the country. Petrogal's two refineries, located at Sines and Oporto, have a joint distillation capacity of 260,000 bbl/day.

Petrogal produces and distributes, under the Galp brand name, petrol, gas oil, fuel oil, lpg, lubricants, chemicals, jet fuels and asphalts.

Petrogal is expanding its activity through a network of more than 1,500 service stations in Spain and Portugal.

A Living Energy in Portugal

Petroleos de Portugal

Petrogal, sa
Rua das Flores, 7
1200 Lisboa - Portugal

6 PORTUGAL

■ Lisbon business guide: by Peter Wise

City of contrasts

Lisbon, the capital city, is a relaxed and cosmopolitan place to do business

If a sequel to *Casablanca* were ever filmed, it would probably begin in Lisbon. It was to the palm-lined squares and white-walled buildings of Europe's westernmost capital that Ingrid Bergman as Ilsa Land was heading when she bid Humphrey Bogart's Rick Blaine that famous farewell and boarded the plane back in 1943.

Landing at Lisbon's recently revamped Portela Airport today, you will still find a city animated by influences from the world beyond Europe, although the intrigue and espionage bred by its wartime neutrality have largely vanished.

Lisbon unwinds to pulsating rhythms in exotic African nightclubs. Flavours from India and the Far East pervade the cuisine of countless restaurants. Arab influences are apparent in the narrow street steps of the Moorish quarters and the use of ceramic tiles known as *azulejos*.

But for all the city's evocation of Portugal's long colonial history, Lisbon functions at a technical level almost on a par with the most advanced of its western European counterparts.

All the transport, banking and telecommunications facilities associated with a developed economy are readily available in Lisbon, along with the traffic jams, fast-food outlets and high prices familiar in other European capitals.

Telephone services are relatively efficient but expensive and it pays to get your office to call you back. It is twice as expensive to call London from Lisbon at peak hours, for example, than it is to call Lisbon from London. Fees for cashing travellers' cheques are also high. Using a credit card to withdraw cash from an ATM machine is cheaper.

Moving around

The taxi is the best way to get around. They are relatively cheap, reliable and plentiful. Except at rush hours, few places are more than 20 minutes away from anywhere else. Buses and the Metro are often crowded and behind schedule. The rattling yellow trams are a congenial way of observing Lisbon life but can be frustratingly slow if you are trying to get to an appointment.

What few sharks there are among Lisbon taxi drivers tend to lurk around the airport. Their most frequent trick is quickly to clear the meter when you reach your destination and ask for a higher fare. There is a surcharge for luggage, but it should be registered on the meter. Tolls are not shown on the meter and are charged double to cover the driver's return journey.

Unless you are travelling a good distance outside Lisbon, it doesn't pay to hire a car (and if you do, it's often cheaper to book outside Portugal). Driving in Portugal can be unnerving. The country has the highest road-accident rate in Europe.

The Portuguese - otherwise the mildest of Latins - tend to release their aggression behind the wheel. US soldiers at a NATO base on one of the most dangerous roads out of Lisbon once had T-shirts printed saying "I survived the Marginal". Among the five-star hotels, the Tivoli is popular among businessmen for its quality and location in the city centre. The Ritz and the Meridien are a little more expensive and not quite so central. The comfortable new Hotel de Lapa, in a leafy neighbourhood 10 minutes away from the centre, is fast gaining popularity. Nearby York House offers homely elegance.

In these cost-conscious times, more visiting businessmen are staying at new three and four-star hotels. The Sol Lisboa, Amazonia and Dom Rodrigo Lisboa, which offers self-catering apartments for longer stays, provide good service and ample space for living and working.

The Portuguese enjoy speaking foreign languages. Most businessmen speak English and French, although fluency in French is beginning to fade among the younger generation. A single foreign visitor is enough for a meeting of 20 Portuguese executives to be held entirely in English. A few words of Portuguese from a foreigner is taken as a compliment but not expected.

Avoid using Spanish if you can. The Portuguese understand it well and, despite a certain wariness of the more powerful country, generally get on well with their neighbours. But they also pride themselves on the individuality of their own language and culture and tend to resent being grouped with the Spanish.

Expectations
Punctuality is prized in Portugal but rarely practiced. Delays tend to accumulate in the system, but 'power plays' can also be involved. By arriving late some Portuguese executives or government officials may be implying that they are very busy people or sufficiently important to disregard

other people's timetables. But as a foreigner you are expected to be punctual. There is really no solution except to turn up on time and expect to wait.

Lunch is a vital part of doing business. It begins at 1pm or 1.30pm and lasts a minimum of 90 minutes. The city is teeming with good restaurants but a few are specially favoured for business meetings. They include the Veranda at the Hotel Ritz, Gambrinus, Hotel da Lapa, Casa da Condi and Chester, the latter attesting to the penchant of Lisbon businessmen for traditional British styles, from oak-paneled rooms to tweed jackets. The Portuguese do not take a siesta and dinner starts no later than nine.

Breakfast is a non-event and it is not advisable to organise business meetings around it. The Portuguese are likely to consider a breakfast appointment as an imposition of someone else's timetable, obliging them to start work at 8.30am when they would normally get to the office at 9.30am or 10am.

The most frequent business journey out of Lisbon is to the northern city of Oporto. The plane is faster, but the train is also efficient and comfortable. Tolls on the Lisbon to Oporto motorway can make driving as expensive as the train journey if you are travelling alone. On a free day, take a short trip out of Lisbon to the romantic palaces of Sintra or into the rolling plains of the Alentejo region off the south-west.

Lisbon is a fertile city for night life. The medieval Bairro Alto is a lively district of traditional Fado music houses, boutiques, bars, restaurants, discotheques and bordellos. Over the past three years, clubs converted from old warehouses along the Avenida 24 de Julho, beside the Tagus, have become more fashionable, but they are now being rivalled by a riverside 'strip' of eateries and discos almost under the April 25 suspension bridge.

■ Plans for Expo '98: by Peter Wise

World fair dedicated to preserving the oceans

Expo '98 will co-incide with the 500th anniversary of Vasco da Gama's discovery of the sea route to India

White Ravens is the evocative title of an opera being written by Philip Glass, Bob Wilson and the Portuguese librettist Luisa Costa Gomes that will have its world premiere in Lisbon on May 21, 1998. The work, on the theme of the world's fall from environmental grace, will launch Expo '98, the last world fair of the 20th century, which is dedicated to preserving the oceans.

The exposition, co-inciding with the United Nations' International Year of the Oceans and the 500th anniversary of Vasco da Gama's discovery of the sea route to India, is expected to attract 8m visitors to a 60-hectare site stretching 8km along the north bank of the Tagus estuary in the east of Lisbon. The new 13km Vasco da Gama bridge across the river is due to be completed in time for the opening.

Although Expo '98 is to run for only five months, it will permanently change the face of Lisbon. The exposition is designed as a catalyst for transforming a derelict dockland area into a new residential and business hub of the city, regenerating a run-down area of 380 hectares through the development of residential, office and commercial complexes in a project lasting until 2015.

Organisers hope Expo '98 will also place Lisbon on the map in a less tangible sense, by creating an international forum for Portuguese arts and sciences. Creativity and research - feared by the Salazar dictatorship as a threat and subordinated to more pressing concerns in the early years of democracy - are today seen as vital sources of national prestige.

"Over the last three years there has been a positive change in the way Portugal is promoted internationally," says Antonio Mega Ferreira, a member of the Expo '98 board. "Official bodies used to portray the traditional tourist image of sunshine, sandy beaches and sardines. Today, they are employing our best artists and scientists as flagships for the nation."

An increasing number of Portuguese artists are gaining international prominence. The latest film by veteran director Manoel de Oliveira stars Catherine Deneuve and John Malkovich. Alvaro Siza Vieira, the architect who is restoring the historic Chiado shopping district of central Lisbon that was destroyed by fire in 1988, is in demand for prestigious projects abroad.

The musical group Madredeus have achieved prodigious success at home and abroad through an appealing new conception of traditional Portuguese music and their environment.

Expo '98 will also provide an important platform for Portugal to fulfill its ambition of playing a significant world role in the management, study and preservation of the oceans - a field for which the country believes it has a geographic, historic and scientific vocation.

The exposition is likely to strengthen Lisbon's bid to provide the headquarters for one of a number of international organisations concerned with marine resources that are under discussion.

Mr Mega Ferreira believes Portugal has much to offer as a potential bridge between the communities of the North and South Atlantic and in specialist maritime research areas, such as the study of the relationship between climate and ocean ecology.

He says that the hundreds of galleons and other vessels sunk off the coast of Portugal and the Azores islands also provide the raw material for making Portugal a centre for maritime archaeology.

Venues for Expo '98's cultural events will include the Utopia Pavilion, (see colour slide) a 10,000sq m multi-functional centre that will host a performance about the oceans that the organisers say will "associate the magnificence of grand opera with the dreamlike atmosphere of a multimedia show."

There will also be a 'Knowledge of the Seas' pavilion and a 'Pavilion of the Future', designed to show the importance of the oceans as a heritage for the next century and beyond.

The biggest attraction is expected to be 'The Ocean Pavilion', billed as the biggest oceanarium in Europe with a central aquarium and four smaller ones representing the eco-systems of Antarctica, the coral reef of the Indian Ocean, the Atlantic and the Pacific. The innovative design is expected to make the oceanarium a highlight for visitors to Lisbon



Expo '98 site stretching 8km along the north bank of the Tagus estuary in the east of Lisbon



Central Lisbon: evocative of the country's long colonial history



Underwater symbolism for the UN's International Year of the Oceans

We cover all the points for doing business in Portugal

LEASING
COMMERCIAL BANKING
FUND MANAGEMENT
ASSET MANAGEMENT
PRIVATE EQUITY
PENSION FUND MANAGEMENT
FOREIGN EXCHANGE
STOCKBROKING
INSURANCE
FACTORYING

Head Office: 10, 1200 Lisboa, Portugal. Telephone: 315 93 31. Fax: 57 49 24. Member of BFA.
London Office: 33 Queen Street, London EC4R 1ES. Telephone: 0171 332 4300. Fax: 0171 332 4343.

NEW YORK • MADRID • FRANKFURT • MILAN • PARIS • LUANDA • NASSAU • MADEIRA • LAUSANNE • JOHANNESBURG • CAIRO

■ Privatisation programmes: by Peter Wise

The rapid pace continues

The new socialist government is as committed to privatisation as its centre-right predecessor

Portugal's new Socialist government aims not only to continue the country's privatisation campaign but to accelerate it.

"In the past, being on the political left meant wanting more of the economy in state hands," said Antonio Guterres, in his first television interview as prime minister. "Today, our main concern is to create more opportunities for people to prosper and to build a more just society." In addition to selling public sector companies, the government would extend privatisation to management contracts for operations previously under state control, he added.

Driving the point home, Antonio Sousa Franco said in his first public declaration as finance minister that the government would present a programme for "rapid and intensive" privatisations in January, at the same time as the 1996 budget.

Enlarging the scale of the privatisation programme launched by the previous centre-right Social Democrat (PSD) government in 1989 will be an ambitious task. Sales of state-owned companies have to date raised a total of more than \$1.3 trillion (\$5.5bn), representing about 9 per cent of gross domestic product.

This makes Portugal the

third largest privatising country in the western world after the UK and New Zealand, according to the Organisation for Economic Co-operation and Development. In the process, the OECD says the state's weight in the economy has been reduced to about 11 per cent of GDP from 20 per cent in 1989.

Shortly before its defeat in the general election, the PSD government said it planned to raise about \$5700bn from privatisations in 1996 and 1997. Mr Guterres says the programme will be taken forward as fast as the market will allow. But however hungry investors prove to be, he may find it difficult to serve up assets

worth \$5700bn in only two years.

Beyond other considerations, privatisations are vital to the Portuguese economy as a means of reducing public debt. The day after the new government assumed office, Ms Teresa Ter-Minassian, an International Monetary Fund official, said that "an early and decisive resumption of the privatisation programme" would help Portugal meet the convergence targets for the third phase of European economic and monetary union.

Mr Guterres says a "fundamental concern" of the new government will be to keep companies of decisive importance to the economy in Portuguese hands. "I have no hesitation in saying that I would prefer to negotiate directly

with a Portuguese business group, with the guarantee that the value and terms of the privatisation are defined with total clarity and transparency, than to pretend to hold a public bidding process that is in fact manipulated," he said.

In a sharp criticism of the previous government, Mr Guterres suggested that tender processes had in the past been deliberately arranged so that they would be won by the group that the government had privately considered from the beginning to be the most suitable to acquire the company. However, the Socialist's plans to keep strategic companies Portuguese could lead to clashes with Brussels over restricting the free movement of capital within the European Union.

Mr Guterres also wants private sector and non-state bodies to play a more important role in the management of many areas that have until now been solely in the hands of the state. He gives as an example the Portuguese Institute for Trade, Tourism and Investment (ICEP), which promotes exports and investment. The prime minister believes employers' organisations that represent Portugal's export companies should join state-appointed officials in joint management of the body.

He also advocates private-sector involvement in the management of Portugal's EU-backed investment incentive system, partly to avoid the possibility of state patronage of political supporters, a criticism often leveled at the previous government.

Portugal's pending privatisations

Banking: Banco de Fomento e Exterior/Banco Borges & Irmão; Banco Totta e Agor, (remaining 13.2 per cent).

Industry: Cimpor (cement, second stage); Siderurgia Nacional-Servicos (steel); Estaleiros Navais de Viana do Castelo (shipyard); Empresa de Desenvolvimento Mineiro/Somincor (mining); Portucel Industrial (paper pulp - second stage); Portucel Florestal (forestry); Gescartilho (packaging material, second attempt).

Energy: Companhia Portuguesa de Producao de Electricidade (power production, minority holding); four regional electricity distribution companies (minority holdings); Petrolgas (oil, third stage); Gas de Portugal (Lisbon gas company); Tragas (natural gas utility); Portugal Telecom (second stage).

Infrastructure: Bria (motorways, minority); ANA-Aeroportos (airports authority, minority); TAP-Air Portugal (national airline).

Agriculture: Companhia das Lavouras (farming development); EPAC (grain company); Silopar (grain storage).

THE SOUTH OF FRANCE

Sunshine belt adds to its attractions

The region sees itself as part of a Mediterranean bloc stretching east and west into Spain and Italy, writes David Buchan

Like a small California, southern France boasts a sun and high technology. It has also attracted incomers from other parts of France and Europe as well as the Maghreb, and has experienced a rightward shift in its politics.

Superficially, it is an easy place for its regional planners to promote. The food is good, the wine better, and the lifestyle generally pleasant.

In their "technopoles", the area's well-appointed academies of research, software specialists can explore the information super-highways without straying too far from a tennis court or encountering city traffic.

It is a region with strong cultural and pleasure-seeking traditions, as those who have seen the current Paris exhibition of Cézanne's paintings or read Peter Mayle's books on Provence will know. For many, the Côte d'Azur's golden age may be over, but not for Russia's nouveau riches who have come to "party" in Nice's pleasure-palaces as Russia's aristocrats once did.

But southern France is, as a whole, tarnished by a level of unemployment several points higher than the national average of 11.5 per cent. In the two administrative regions covered in this survey, the jobless rate in Provence-Alpes-Côte d'Azur is 15.6 per cent, and in Languedoc-Roussillon it is 17 per cent.

This is not because they are struggling with the legacy of old manufacturing industries. Both regions have little industrial past. The Fos area of Marseilles only became a serious steel producer 20 years ago, while Montpellier has seen the lack of manufacturing to employ the engineers and researchers pouring out of its

three universities. The higher unemployment average seems to be due more to the tendency of many French to flock south in order to escape their seasonal jobs in tourism or agriculture. But, in the end, unemployment is not much less of a social problem in the sun than under grey skies.

This influx of outsiders, combined with a birthrate that is higher in Languedoc-Roussillon but now rising even in classic pensioners' territory such as Alpes-Maritimes, reinforces the need for more foreign investment. It is still coming from traditional sources in the US and Germany. Atmel of California is building a big semiconductor plant at Roussell near Marseilles, while AEG and Siemens have moved into automation technology in Alpes-Maritimes where another German company, GECAP, has also arrived to adapt US software systems for European use.

But the region's future growth potential also lies as part of a "Mediterranean arch" running from Italy to Spain. It is France's geographical good fortune that many of its poorer areas lie alongside wealthier zones in other countries, even though these neighbours' average national wealth is less than France's. Just as Nord-Pas de Calais faces Kent across the narrowest part of the Channel, so Languedoc-Roussillon has wealthy Catalonia just across the Pyrenees.

The contrast is less noticeable on Southern France's borders with northern Italy. So far, the main Italian investment in the Côte d'Azur has been in residential property. It began to flow in when Italy scrapped capital controls a few years ago.

Three out of four foreign buyers of local property are still Italians, and, says a Nice real estate specialist, they are less suspect nowadays because fewer of them insist on paying in cash. Unlike the Alpes-Maritimes, however, northern Italy boasts a dynamic manufacturing base

which could work closely with southern France's hi-tech researchers.

Sophia Antipolis, one of the oldest and most successful of all French technopoles, needs to rejuvenate itself through closer links with Italy, says Mr Gilbert Stelliard, deputy mayor of Nice and president of the region's chamber of commerce and industry.

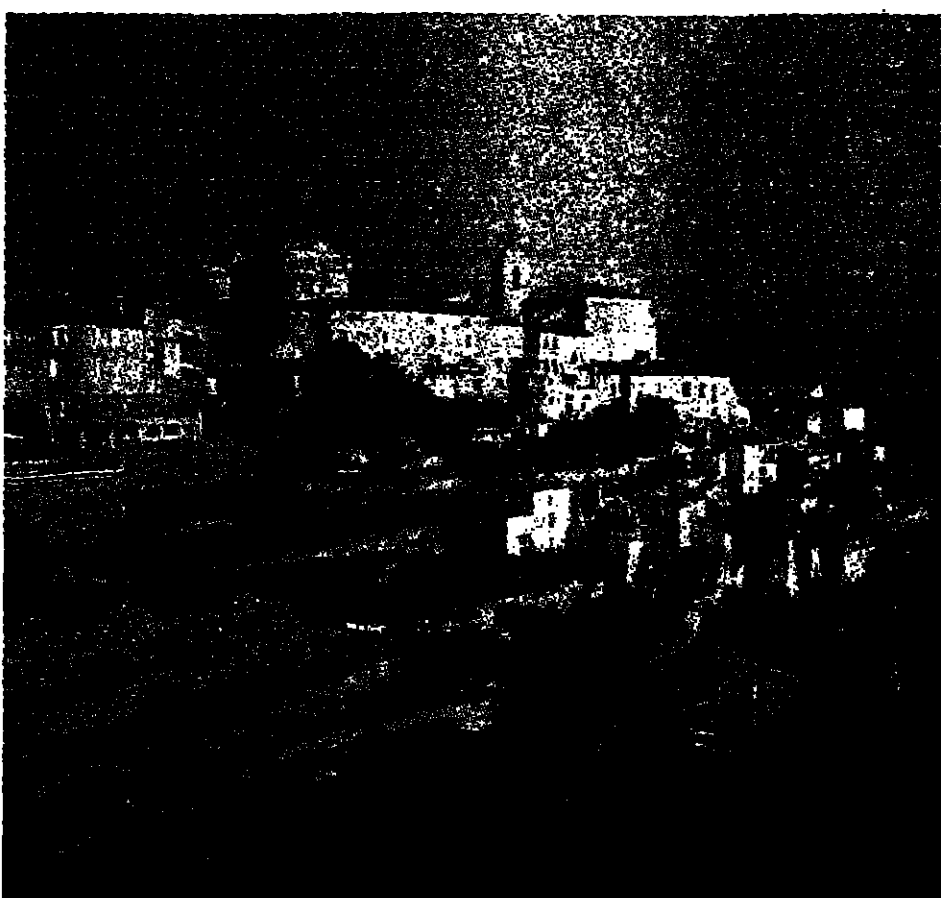
He is one of many Nipois who want to break out of Nice's cul-de-sac either by the construction of a mountain tunnel north east to Turin or an extension of the TGV from Aix-en-Provence via Nice to Italy. Neither plan, however, is as advanced as the project to extend the TGV from Montpellier to Barcelona by the year 2005, endorsed last month by President Chirac and Prime Minister Felipe Gonzalez.

Catalonia, whose Catalan language is also spoken on the French side of the border in Perpignan, has also joined France's Languedoc-Roussillon and Midi-Pyrénées to create a "European region". So far, Languedoc-Roussillon has seen little Spanish investment, but hopes that it will follow the forging of closer administrative and infrastructure links, such as the contract under which Compagnie du Bas-Rhône-Languedoc will supply water from the Rhône to Barcelona.

But while fostering links with its European neighbours, Southern France has to make more of its own resources. Nowhere is this clearer than in the port of Marseilles, founded by Greeks in 600 BC and until very recently working under practices that seemed almost as antiquated.

However, a long series of strikes finally culminated late last year in agreement. It reduced the number of dockers from 1,800 to 850, ended their ability to dictate terms to the port authorities by changing them from a self-regulating guild to salaried employees of the port, and got them to sign a three-year "flexibility" contract.

The way is thus now open for a freer flow of cargo to and from the huge investments that have been made in the



The village of Gordes in Provence: a landscape that keeps its abiding fascination

Marseilles-Fos port area - FF86bn by the port authority and FF70bn by industry.

Created under President Pompidou primarily to import petrol and Algerian gas, Fos and the adjacent inland lake of Etang de Berre is now also home to one third of all French petrol and petro-chemical refining (BP, Esso, Shell, Total, Elf, Atochem, Arco Chemicals, among others), as well as Udon's Soliac steel mill. On a

quay-side site of 650 hectares, Soliac's 3,700 workforce turn out 4m tonnes a year of hot rolled steel, mainly for cars and packaging, two-thirds of which is exported.

Soliac would like to have more local customers for its steel, as would the port authority, because there is still vacant land on the 10,000 hectare Fos site which is connected to Lyons by road, oil pipeline and the River Rhône. Further

development will, however, be constrained by the difficulty of disposing of waste in an area where the mix of sea and fresh water has already turned the Etang de Berre distinctly brackish.

Marseilles' problems have not prevented the rest of southern France from prospering. However, both Pasa and Languedoc-Roussillon have their own structural problems. The former is as large as Bel-

gium with a population equivalent to Norway's, much of which is crammed along the coast. As a result, Pasa's planners are trying to push development further into the hills and to encourage adventure tourism in the "arrière-pays".

For its part, Languedoc-Roussillon is still trying to regain the industrialisation it had in the 18th and early 19th centuries, when its textile mills at now-deserted towns such as Lodève clothed Napoleon's armies. Subsequently, it plunged into "le gros rouge" - mass-production of wine which the newly-built railways supplied to Paris.

The result is that, with exceptions like Alès in the Cévennes, which has maintained a manufacturing tradition, it has little industrial base and there are only 17 companies (among them, Perrier, IBM and Cogema, the nuclear fuel processor) that employ more than 500 people each.

Mr Georges Frêche, the ebullient socialist mayor of Montpellier, has seen his city's population double during his 18 years in office. In the same period, its jobless rate has stayed slightly lower than the region's. But the city's research activities are fragile because they are 80 per cent dependent on public funding.

The time-honoured way for regions to ensure their share of the public purse is to have a powerful voice in Paris. But there are no important southerners in the Juppé government, though Mr Jean-Claude Gaudin, the new Senator-mayor of Marseilles who has been president of Pasa, is a force to be reckoned with, and Mr Jacques Blanc, president of Languedoc-Roussillon, who also presides over the European Union's Committee of

Regions, has used his influence in Brussels to ensure EU money for his home region.

Nor has the south improved its image with the French political establishment by electing National Front (NF) mayors in last June's elections in Toulon, Marseilles and Orange, and an ex-NF member to be mayor of Nice. It is no accident that the far-right NF should get its first taste of executive power in the south. In spite of a left-wing tradition in the south west and around Marseilles, the area has been moving to the right for some time, and NF calls to crack down on immigration and crime fell on fertile ground.

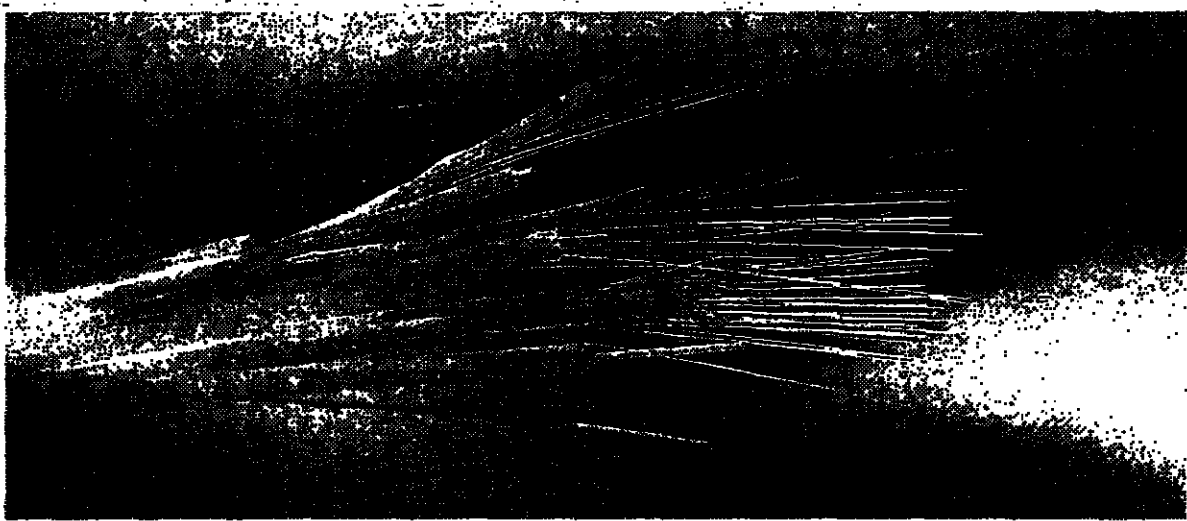
The NF, however, might never have made its breakthrough but for corruption within the local political establishment. Though revealed in the past couple of years as prevalent elsewhere in France, corruption has clearly been on a larger scale in the south.

Decentralisation reforms have, for instance, given mayors the right to grant or withhold the building permits which in areas such as the Côte d'Azur are enormously valuable. In the same areas, politicians maintain a more opulent lifestyle than their normal pay permits.

So the prosecutions of Mr Jacques Médecin, the former mayor of Nice, and Mr Maurice Arreckx, a former senator from Toulon and president of the Var department council, on corruption charges have opened up a political vacuum into which members of the NF have stepped.

However distasteful their views on immigration, they have, to many southerners, the merit of being financially clean by virtue of not having held office before.

THE FRENCH RIVIERA : EUROPE'S MAJOR ACCESS TO THE INFORMATION HIGHWAY



100 high-tech companies, plus Telecom Valley, plus access to the information highways, plus Sophia Antipolis, all combine to make the French Riviera a center of excellence in telecommunications.

Top international organizations and SME's share expertise and resources through the Telecom Valley Association founded by Aerospatiale, AT&T, Digital, ETSI, IBM, France Telecom, Rockwell International and Texas Instruments. Telecom Valley today counts 40 highly specialized companies and innovative start-ups.

The European Telecommunications Standards Institute (ETSI), located in Sophia Antipolis since 1988, is an important attribute to the French Riviera's Telecom Valley.

Optic fibers networks, ATM (High Frequency) systems, research on high-speed transmission network, teleports: the French Riviera will also be a major cross-roads on the Information Highways; its network-site project has just been selected for National and European experiments on infrastructures and services.

Telecommunications on the French Riviera involves 9,000 people in 100 companies. Thirty percent of their activities are in R&D.

Major telecommunications consumers are located here, including Amadeus, Sita (aeronautical telecommunications), Air France (world-wide reservation center), AT&T GIS, Rockwell International, Questel Orbit, ...

Educational facilities serve 24,000 students and 1,000 research workers. Graduate schools concentrating on high-level telecommunications management, such as Eurecom, are located here.

Government research labs, as the National Center for Telecommunications Studies, draw on the French Riviera know how.

This all adds up to a thriving telecommunications field that your business can plug into immediately.



European Investment Promotion Agency Award for Excellence 1994 decerned by Corporate Location

Connect with the French Riviera

To find out more about Telecommunications on the French Riviera fax this coupon to Mr. Philippe Servetti, Marketing Coordinator of C.A.D.

CÔTE D'AZUR DEVELOPMENT
French Riviera Economic Development Agency
10, rue de la Préfecture - B.P. 147 - 06303 NICE Cedex 4 - France
Tel : (33) 92 17 51 51 - Fax : (33) 93 80 05 76
E-Mail : servetti@cud.fr

Company _____ Tel _____ Fax _____
Address _____

Wine, food and flowers by David Buchan

The fertile crescent

International food companies have come to exploit the area's produce and strategic location

If there is one element - apart from sun and sea - that links the two regions of Provence-Alpes-Côte d'Azur (Pasa) and of Languedoc-Roussillon, it is the production of good things to eat and drink.

It is big business in both: Pasa grows 14 per cent of France's vegetables, 22 per cent of its fruit and 28 per cent of its flowers, while Languedoc-Roussillon produces nearly a third of all French wine. Their agriculture/viticulture also anchors the regions firmly in the Mediterranean arc from Catalonia to Lom-

for instance, produces nearly a third of the cut flowers sold in France, but still relies heavily on the Dutch for seeds, bulbs and marketing.

However, the region is making a big effort to stay ahead in food science, in the expectation that the food industry will follow. One such effort is Avignon's Agroparc, set up outside the city of the medieval popes five years ago to cross-breed university and government agricultural researchers with the private sector and to act as a nursery garden for new hi-tech companies.

Agroparc has some small 45 companies on its 200 hectare site working in such diverse areas as natural aroma extraction, agro-biology, robotics for cherry sorting, and applied electronics. Avignon already

area has diminished from 420,000 to 300,000 hectares over the past 10 years. But some 95 per cent of Languedoc-Roussillon farmers are still in the wine business, which employs around 40,000 people, and the region still produces around 18m hectolitres (out of total French output of 58m hectolitres).

Of this, nearly 4m hectolitres are "appellation d'origine contrôlée", and another 4m hectolitres high-quality "vin de pays", and by colour, still 92 per cent red, though white and rosé are on the rise. The latter's growing popularity among tourists and in foreign markets, local growers admit, owes much to successful promotion by their rivals in Provence, where rosé predominates. But steady attention to introducing new varieties and upgrading old ones has raised the quality of Languedoc-Roussillon wine to the point that it now seriously rivals the mighty Bordeaux in terms of value for money. Mr Michel Remondat head of the Languedoc-Roussillon wine bureau, says his region's wines sell wholesale in France for FF12-15 a bottle, compared with FF18-20 for Bordeaux.

Exports, too, have boomed, amounting to 30-35 per cent of total output. This is due partly to the introduction of single-variety wines which are increasingly popular abroad and which are being cultivated by a few Australian and Americans who set up in Languedoc-Roussillon. But most wines remain, as elsewhere in France, a mix of varieties, based on their "terroirs" and identified geographically rather than by type of grape, and leading local wine growers see no reason to change this.

Consumer boycotts in protest at French nuclear testing seem to have hit a few Languedoc-Roussillon winegrowers. One had 20,000 bottles returned by a Dutch importer. While the UK is the region's biggest export market, Denmark, Germany and the Netherlands, where boycott calls have met a stronger response, are also important markets. But Languedoc-Roussillon growers regard this as a passing phase, and console themselves over the excellence of their 1995 vintage.



Toulon's market: plenty of good things to eat and drink

bardy, with the current disadvantage of subjecting both regions to competition from Italian and Spanish producers benefiting from depreciation of their currencies.

Companies, such as Nestlé (chocolate), Unilever (tea), Générale Sucrière (sugar), Puget (vegetable oil), and Coca Cola and Orangina (soda), have moved in more to take advantage of good transport and logistic facilities, especially in the Marseilles and Rhône valley area, than to exploit local produce.

There are, of course, a few large home-grown companies such as Ricard, the Marseilles maker of aniseed-based drinks, as well as some 600 food-processing companies in the Pasa region who employ more than 10 people. But local production and processing do not merge as closely as for wine and spirits. The Var horticulture industry,

has a government centre for research into preserving/freezing techniques, and Agroparc's director, Mr Thierry Vibert, says he is now particularly keen to exploit Avignon's position on the Rhône valley axis to promote "research into the logistics of the distribution of fruit and vegetables".

Move west through the Bouches du Rhône Department, the country's biggest apple producer, over the Rhône, across the Gard Department and deeper into the Languedoc-Roussillon region, and the story changes. Fruit gives way to grapes in a dramatic way. Languedoc-Roussillon has sharply scaled back its 19th century enormous over-expansion into wine-growing, which reached a peak of 465,000 hectares in 1900.

Aided by special Brussels premia for tearing up low-grade vines, its wine-growing

2 THE SOUTH OF FRANCE

■ **Marseilles:** by Andrew Jack

Spicy flavours of a cultural melting pot

France's second biggest city is in the throes of political and economic renewal

Enter a restaurant in Marseilles, and you are as likely to find couscous and spicy merguez sausages on the menu as foie gras or other more traditional French dishes. The influence of north African cuisine is just one of the more obvious illustrations of the unique cultural cocktail in the country's second largest city.

It is not just that the climate is far warmer than most of the rest of the country. The residents of Marseilles are also far more informal and friendly. People touch each other more, and kissing on the cheeks – even between male friends – is far more common than a stiff Parisian-style handshake.

In many ways those who live in Marseilles have more in common with their Spanish and Italian neighbours – with whom they have frequent contact – than with the rest of their own country. Their city's history – dating back almost 2,600 years – has long been focused seawards towards the Mediterranean.

They are both proud of their distinctiveness and suspicious of the negative image that many outsiders have of the city, often mentioning the bleak, drug-trading images encapsulated in films like *The French Connection*, which was largely based in Marseilles.

"Just because we have the sun and can work with our windows open, people think we are not serious and that we are permanently on holiday," says Mr Renaud Muselier, the Gaullist deputy mayor of Marseilles elected in June. "It's not true. In fact, we work harder than people elsewhere."

Mr Jean Maton, head of Marseillaise de Crédit, the

state-owned bank based in the region, says that the region is suffering no more than other parts of France, which is labouring under difficult economic conditions. But he argues that the city's own residents are partly to blame for the negative image, since they have long engaged in self-criticism and also failed to adapt to changing circumstances.

In the 19th century, Marseilles flourished during a time of French colonialism and industrial growth, and as the logical port of departure for much global sea-bound trade which passed through the Mediterranean in increasingly volumes with the opening of the Suez Canal.

In the last 50 years, decolonisation and the rapid growth of air transport have winded Marseilles considerably. De-industrialisation has hit hard, and in the early 1990s, the local doctors made their voices heard across France with disruptive industrial action lasting more than two years.

Meanwhile, local politics has been characterised by bitter feuding and often any lack of real power or money to bring about change. Mr Gaston Defferre, the socialist minister, ruled powerfully over the city for much of the post-war period, but he left a gaping hole when he died of a heart attack in 1986.

The fight for his replacement split the left wing, and ever since the situation became more fractured as the victor – Mr Robert Vigouroux – went on to win re-election as mayor but then quit the socialists and supported the centre-right prime minister Edouard Balladur in his presidential bid this spring.

The result in the race for the city hall this summer was a narrow victory for the left-wing alliance which split the vote, including a possible list headed by Mr Bernard Tapie, the flamboyant businessman trans-

planted into the region, who eventually withdrew as corruption charges mounted against him.

It was finally the Gaullist RPR party which claimed victory under the charismatic Mr Jean-Claude Gaudin, who is also both a national senator and head of the regional council. Combined with an RPR president and national government, this new political alliance could bring about an important thawing of relations with Paris.

One example cited by Mr Meslier is that of EuroMediterannée, a huge 300 hectare redevelopment near the heart

of Marseilles, around its traditional harbour front area. Only last month, after a decade in discussion, the project was granted a special legal status by the government, giving the authorities considerable planning powers and providing half of a FF1.7bn budget to be spent over the next five years.

He hopes that the project – which includes land clearance, new infrastructure development, housing subsidies and educational institutes – will provide the key to revitalising the local economy and radically changing the image of the city by the year 2000.

More broadly, planners point to the advantages to come from new high-speed rail links scheduled for completion by 1999, and even a canal linking the Rhône with the Rhine by 2010, as well as discussions with the new Gaullist administration in Lyons about intensifying cooperation between the cities.

"We are undergoing a period of renovation," says Mr Henry Roux-Alezais, head of the regional Chamber of Commerce. "We will be transformed into a real centre of quality in international trade."

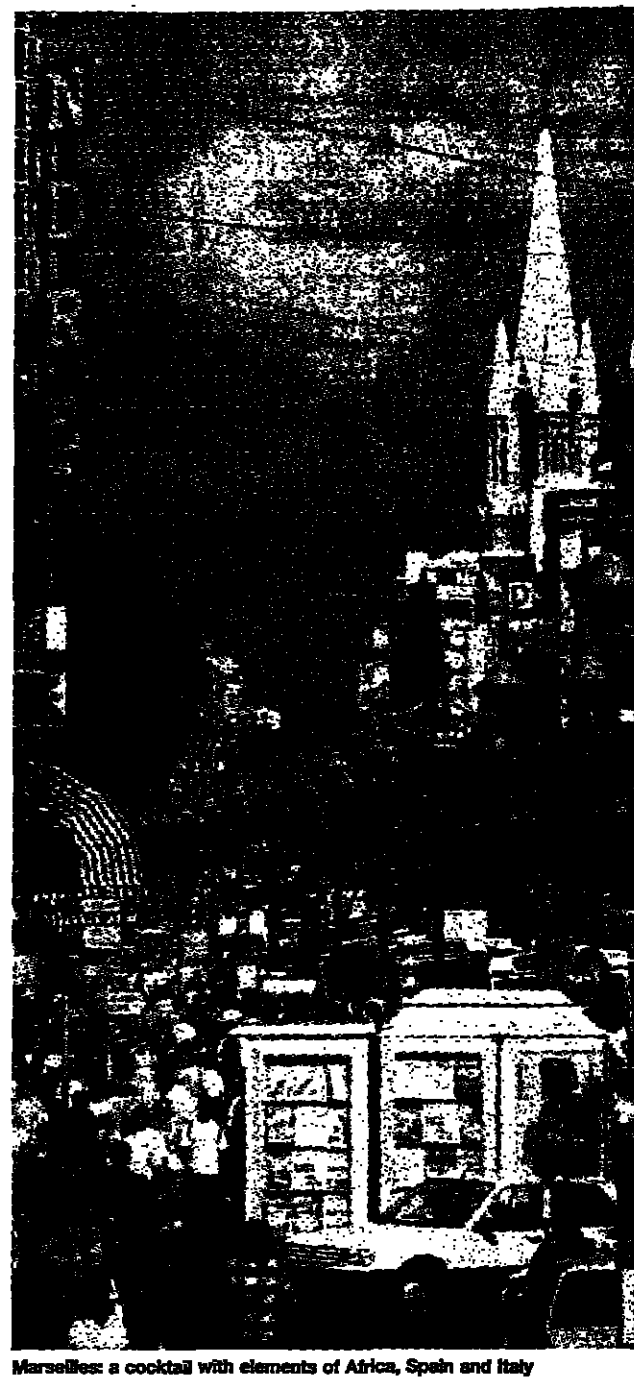
Not everyone is so positive. Like many other cities across France, Marseilles has its share of social problems. Unemployment is disproportionately high, and in a city with such a high proportion of residents with foreign origins – notably from north Africa – racial tension is always an issue.

The extreme right-wing National Front has achieved high scores in the region, including winning for the first time this summer three nearby townhalls and nearly claiming a fourth. This spring, a young immigrant was shot dead in the city after a struggle with three of the party's bill posters.

It is true that the press has sometimes exaggerated the extent of urban conflict in the city.

Many locals argue that Marseilles copes far better with integration than elsewhere in the country – partly helped by the unifying influence of OM, the sacred football team which became European champion in 1993. Despite its proximity to Algeria, it has not been touched by the terrorist attacks to hit Paris.

But ultimately unless the planners' hopes for redevelopment of the region bear fruit, and thanks down to the more disadvantaged groups within Marseilles, the difficulties they face risk raising the temperatures in the city to dangerously high levels.



Marseilles: a cocktail with elements of Africa, Spain and Italy

■ **Finance:** by Andrew Jack

Local bourse shuts as Paris calls the tune

Some local banks flourish, but the power of Paris has cost Marseilles its once lively bourse

The headquarters of Banque Chaix sits within the historic city walls of Avignon and overlooks some of its more impressive ancient stone buildings. But the rather tired modern offices and furnishings of the company itself are far from luxurious.

"You don't need marble everywhere and a 500 square metre office for a bank," says Mr Joseph Perez, the chairman. It is this philosophy of keeping costs low and services focused on the needs of clients that has helped it maintain its reputation and profitability as a bank for the region.

But while Banque Chaix has retained its local identity and proved to be a mainstay of the local economy, many other financial institutions in the south of France have seen themselves transformed in recent years into parts of national giants centred on Paris.

As in other parts of France, small networks of local and regional banks have been swallowed up into the big groups, while even the long-standing local branches of existing national banks have seen much of their authority stripped away to regional centres and managers.

Like the private sector banks, the French national savings bank – the Caisse d'Épargne – and the mutualist and cooperative banks such as Banque Populaire, Crédit Mutuel and Crédit Agricole, have followed the same pattern.

While they may have historical roots firmly planted in settlements across the country, they have increasingly regrouped into ever larger administrative areas with regional or national headquarters.

The situation is not just true for banking, but across the financial sector. Marseilles has an imposing 19th century Chamber of Commerce overlooking its old port in the city centre. But the opulent building has been stripped since the start of the decade of one of its

Some of the stockbrokers who left when the bourse shut have returned

original roles – the regional stock market.

The French bourse retains an important local representative office in the area, but now most regulation and management of the single, computerised stock market is conducted directly from Paris, replacing the role of the country's regional stock markets.

While the thrust of national legal, political and administrative reforms since the early 1980s in France has been towards decentralisation to break the stranglehold of Paris, the tendency within financial institutions has in many ways been in the opposite direction.

Such changes are by no means all bad. "The information technology revolution no longer justifies separate local stock markets," says Mr Jacques Frayssé de la Comandine, the local officer. "Things are better now, and we have instantaneous communication." Some of the local stockbrokers who closed their Marseilles offices after the local

bourse shut down have since returned to the city.

Not all institutions which remain regional – at least on paper – have necessarily had a happy history. Marseillaise de Crédit, the now state-owned bank founded in the 1860s, maintains most of its branches and clients in the south of France.

Yet it suffered severe financial difficulties in the early 1990s, culminating in recapitalisation by the government last year and this to the tune of FF1.35bn. It made losses of FF90m for the change of chairman announced in late October. It is likely to be scheduled for privatisation as quickly as possible.

Marseilles may benefit from funds designed to spur the new industries

But Marseillaise de Crédit also has its strong points, arguing that it knows local businesses well and can respond most effectively to their needs. It has also taken advantage of one of the region's great potential sources of international growth in the future – in North Africa – restructuring and selling off majority control in its subsidiary G P Banque, which is becoming an investment bank for Morocco, Tunisia and Algeria. Equally, the restructuring of the financial sector in the last few years in France has created new forms of funding for small and growing enterprises, such as venture capital.

Mr Hervé Legoupil is managing director of Finavance, one such fund, based in Aix en Provence, although he says that three-quarters of his investments are focused in the Rhône-Alpes region rather than further south, reflecting the comparative strengths of the two regional economies.

With the French stock market currently working on the creation of a new market for fast-growing companies – many in the high technology sector – and the national culture increasingly open to foreign investors lured to the equity markets, Marseilles should benefit alongside other parts of the country from new forms of funding. It may even gain disproportionately, given its strength in encouraging many fast-growing businesses in areas like biotechnology.

Mr Perez of Banque Chaix argues that there is no reason why centralisation of decision-making should necessarily increase the risk bankers take when they approve or reject loan decisions. Indeed, he stresses how centralised operations are at his bank, with the distinction that all of its branches are within one hour's travel of the Avignon headquarters.

Nevertheless, he says that one of his bank's strengths lies in its proximity to clients, with whom it can develop long-term, in-depth relations and provide them with a full range of services.

All this is not to say that Banque Chaix has entirely escaped the power of Paris. While it maintained considerable autonomy, it was nationalised by the socialist administration of President François Mitterrand in 1981, and in 1986 and 1987 the state transferred its ultimate ownership to Crédit Commercial de France, itself based in the nation's capital.

■ **Defence industries:** by David Buchan

Eggs in a lot of baskets

Numerous defence and aerospace industries are among the area's biggest employers

A defence and aerospace industry is one of the many things that southern France has in common with California. The Provence-Alpes-Côte d'Azur (Paca) has 22,000 people in a wide range of activities, such as making helicopters and torpedoes, assembling a large part of Europe's telecoms satellites and keeping half of the French fleet ship-shape.

Such dependence on defence is, of course, hazardous at a time of military budget cuts at home and generally slack demand for exports. But Paca gains some protection from having its eggs in many differ-

ent baskets – in research (such as the Atomic Energy Commission at Cadarache and the nine defence ministry laboratories in the Var alone) as well as in manufacture – and from the capacity of many subcontractors to diversify, turning their defence hi-tech to civil uses.

A striking example of this is the success of a Marseilles-based company in supplying the air conditioning system it developed for submarines to France's high-speed TGV trains.

Aérospatiale is one of the region's big employers. It converted the site of an old seaplane factory near Cannes to assemble telecommunications satellites. By chance, the nearby technopole of Sophia Antipolis decided to specialise in telecoms research.

While seriously rivalled by Matra in military satellites,

Aérospatiale's Cannes factory has had a bumper year for its telecoms business – foreign orders for 16 satellites worth a total FF68m. Many surrounding subcontractors now do 80 per cent of their business with Aérospatiale, which now needs more engineers than it can recruit.

Business is not quite so rosy at Aérospatiale's Eurocopter joint venture with Daimler-Benz Aerospace at Marignane, which with a workforce of around 5,000 is the region's biggest aerospace employer. Buying some FF1.4bn worth of parts and services from the local economy, Eurocopter is still churning out Dauphin, Ecureuil and Super Puma helicopters, and has developed new civil models (the EC-120 and EC-135).

But the international

demand is still for military rather than civil helicopters. Eurocopter's spirits have been dampened by this year's decisions by the UK and Dutch governments to buy the American Apache in preference to the Tigre attack helicopter which Eurocopter is developing for France and Germany. To save money, the French government has also said it will delay industrial production of the Tigre.

But Mr Jean-François Bigay, the head of Eurocopter, expresses confidence that next spring will see the definitive signing of the contract to build 427 Tigres for France and Germany. He also dismisses rumours that France might pull out of the NH-90 helicopter project that it is developing with the Germans, Dutch and Italians for transporting troops and conducting anti-submarine warfare. "The special feature of the NH-90 is that the governments have already given us a full contract to develop the helicopter, which we, the companies, have undertaken to do for a flat-rate of Ecus1.4bn," he says.

By far the biggest regional employer is the Arsenal at Toulon, on 500 hectares of waterfront which contains the naval base of nearly 20,000 sailors and the ship repair and design facilities of the Direction des Constructions Navales (DCN) that employs 6,500 people. The naval base, which goes back four centuries, is home port and repair/overhaul centre for France's Mediterranean fleet and most of its further-flung fleets (except in the Pacific). It has been the embarkation point for all heavy military supplies to Bosnia.

The DCN is still firmly in government hands despite rumours that it may one day be privatised. But it has changed internally.

Partly at the insistence of France's partners in collaborative naval projects, the DCN was split in 1992 into one branch placing government orders and another – DCN Industriel – carrying out the work. The latter accounts for most – 5,500 – of the work force, under its director, Mr Jean-Pierre d'Hérouville.

Ship repair and overhaul, for the occasional foreign client as well as for the French fleet, earns FF2.8bn a year, and puts DCN Toulon on a par with Devonport in the UK, says Mr d'Hérouville, who was recently French naval attaché in London. On average, the DCN carries out 15 ship or submarine refits a year.

But the DCN also has a branch – DCN Engineering – which is increasingly making itself felt in export markets. The Arsenal stopped making



Toulon: still servicing the French navy after more than 400 years

ships 50 years ago, whereas the shipyards in neighbouring La Seyne packed up in the 1970s. But the 700-strong engineering branch at Toulon does much of the development, purchasing and integration of naval combat systems for ships made elsewhere in France.

It has done all the integration work on submarines for Pakistan and is to do the same for new "stealthy" frigates for Saudi Arabia. The two big systems it is currently developing are for the new Triomphant class of nuclear missile submarine and for the Charles de Gaulle nuclear-powered aircraft carrier. Work on the latter project might pay off in another export order, says Mr Joël Branchet of DCN Engineering.

"Based on the work we have done for the Charles de Gaulle, we intend to offer the technical software for the new maritime patrol aircraft which the UK is putting out to tender."

Imagine...

... your company at
"Avignon Agroparc Technopole"
an exceptional environment.

AGROPARC
Bâtiment Agriscopie - BP 1205
84911 AVIGNON Cedex 9
FRANCE

Tél. (33) 90.23.80.50
Fax (33) 90.23.80.59

IBM
Dell
Computer
GEC-Alsthom
Hoffman
La Roche
Sanofi
Toshiba
Chauvin

Discover How

Montpellier Languedoc Roussillon Technopole can provide the building blocks for **your business growth** in Southern France.

Contact Graham Whitehead at
Peter Prowse Associates now:
Tel: +44 1372 363025 Fax: +44 1372 363359
e-mail: pprowse @ macine. co. uk

MONTPELLIER LANGUEDOC-ROUSSILLON TECHNOPOLE

They have chosen
Languedoc-Roussillon

WHY NOT YOU?

ECONOMIC DEVELOPMENT FOR LANGUEDOC-ROUSSILLON / FRANCE
DATAR - INVEST IN FRANCE NETWORK
20, rue de la République - 34000 MONTPELLIER - FRANCE
Tel: (33) 67 22 94 80 - Fax: (33) 67 22 94 90

DATAR

مكتبة الصالح

■ Discovering the technopoles: by John Ridding

Citadels of quiet for the scientific elite

France's bid for hi-tech excellence is being fostered in a chain of gleaming research centres

In previous centuries, France's Mediterranean coast was dotted with fortresses defending strategic military positions. Nowadays, the crumbling castles have been replaced with a different kind of stronghold - a string of science parks and universities aimed at developing hi-tech research and related industries.

The technopoles, as they are known, have become a central element in the region's economic and cultural ambitions since they started springing up at the end of the 1980s. But, unlike the fortresses, they are part of an offensive plan.

From Sophia Antipolis, lodged between Nice and Cannes, through Toulon, Marseilles and on to Montpellier in the west, the success of the technopoles will determine whether southern France can build on its base of technology-based businesses and extend its standing as a European research centre.

So far, their impact is clear.



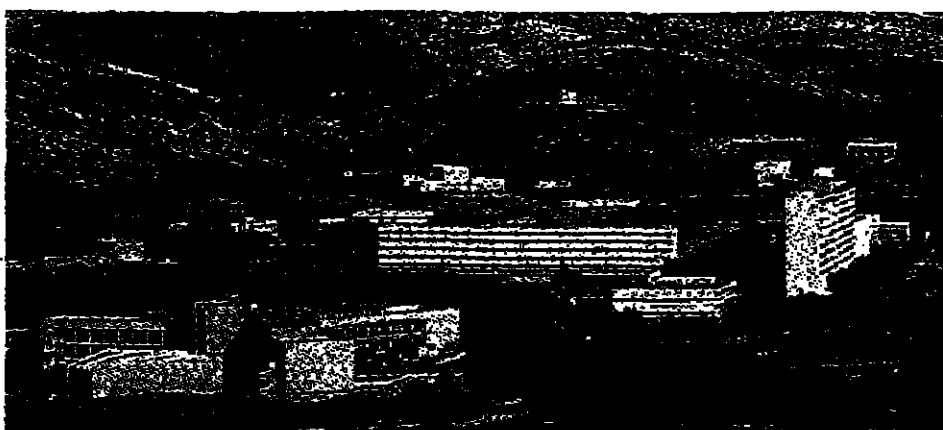
Research and high technology at the technopole of Grand Luminy...

Sophia Antipolis, the first of the technopoles, now counts more than 1,000 companies and about 16,000 engineers and technicians at its science park. One-tenth of the investments are from abroad, ranging from AT&T and Dow Corning to the Korean Institute for Energy Research.

The pattern has been repeated elsewhere. Over the past decade, the Languedoc-Roussillon Montpellier Technopole has developed a network of science parks, from medicine to information technology. The rapid growth rate is illus-

trated by the medical centre, which has grown from 87 companies in 1984 to more than 300 today. Smaller technopoles, such as Grand Luminy near Marseilles, have also taken root.

The rise of the technopoles in southern France is the result of several factors - some specifically French, some international. Concerning the domestic causes, the expansion partly reflects the policy of economic and administrative decentralisation pursued by successive governments since the beginning of the 1980s.



...whose setting in hills near Marseilles is typical of the string of such establishments across the south

"Decentralisation was a vital stimulus," says Mr Patrick Geneste, President of the Languedoc-Roussillon Technopole and deputy mayor of Montpellier. "It gave us the freedom to use our resources and to implement our own development strategy."

Another part of the decentralisation policy, the establishment of specialised public engineering and research schools in the provinces, provided a foundation for hi-tech studies and business. Sophia Antipolis, for example, capitalised on the creation of the Uni-

versity of Nice in the 1980s and on the establishment of state institutes such as the INRIA data processing centre.

At the same time, many international industries, from telecoms to biotechnology have found it increasingly important to be close to a developed research network. "The point of a technopole is to allow technology transfer," says Mr Geneste. "We cannot help companies manage themselves better. But we can provide the environment in which they benefit." Nor is the environment simply a question of laboratories and available engineers. The climate, the landscape and cultural considerations are of increasing importance in drawing potential investors from rival sites.

But if various science parks are now established, and the climate seems set fair, the technopoles are faced with a series of challenges. The region is far from alone in France and in Europe in focusing on such projects as a means of development. Chronic unemployment in many EU members and the desire to attract strategic industries has fuelled an increasingly fierce competition for investment.

"There is no question that we have to fight harder all the time. Investors know there is a growing choice and special financial incentives," so they shop around," says a senior official at one of the region's technopoles. In his view, some of the established centres face a tough struggle in maintaining their position.

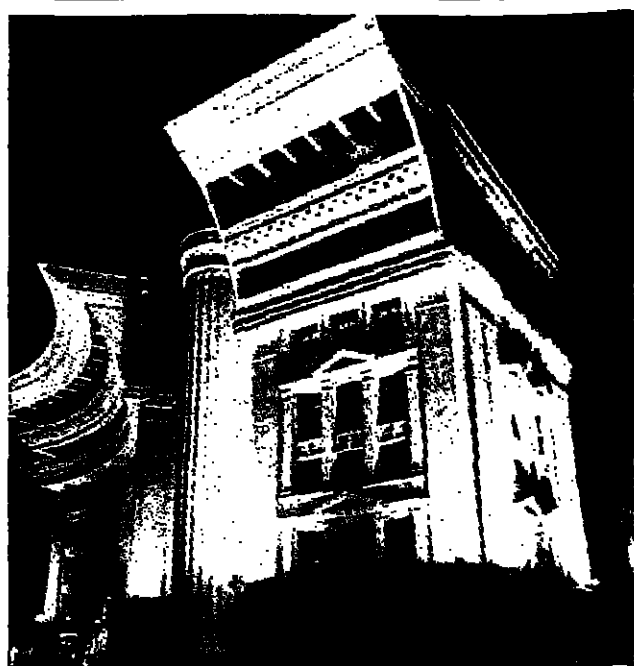
Part of the solution to the

rising challenge lies in specialisation. "We have certain strengths and this is what we offer," says Mr Geneste, referring to the four main research areas at Montpellier - medicine, computer sciences, information technology and agronomy. Beyond that, the battle lies in creating cultural and environmental conditions for prospective investors.

In other areas, the competitive environment has prompted co-operation between neighbouring technopoles. The science parks and universities in the region of Provence-Alpes Côte d'Azur, for example, are now linked by a high-capacity fibre optic network. This allows rapid transmission of data and images between companies, research centres and the region's technopoles.

Co-operation and coordination is also encouraged by local government authorities. "We try to ensure that there is no unnecessary competition between the technopoles," says one official in the Bouches du Rhône Department. "They have a say in how resources are allocated and can steer development through tax incentives and other economic measures," adds a technopole spokesman.

In the battle against national and international competitors, local administrations can also help by providing data and facilities. Dr Lee Leserman, director of research at the CNRS in Grand Luminy, says that foreign pharmaceutical companies are attracted by the set-up for clinical trials in local hospitals. "The organisation



Montpellier: the technopole's medical park has acquired 200 companies

Country	Companies	Number of jobs
Germany	5	86
Spain	2	506
UK	8	369
Italy	7	246
Others (Europe)	22	412
N America	48	2,055
Asia, Japan, Korea	2	49
Others	3	87
TOTAL	97	3,812

Source: Sophia Antipolis SAEH 1993

Montpellier's science and enterprise parks: numbers of corporate tenants and jobs created by 1994

PARK	COMPANIES	JOBS
Millénaire	230	5,500
Euroméditerranée	200	4,717
Agropolis	35	817
Gareau/Tournezy et Près d'Arènes	406	6,823
Mediservant	-	-
Marcel Dassault La Lauze	145	1,418
Messane et La Biste	51	548
Clément Adler et Cap Alpha	34	372
Valérie du Saison	89	988
Les Baronnies	9	111
TOTAL	1,199	21,574

Source: CC

■ Orange and its National Front mayor: by Andrew Jack

Only a flash in the pan?

Orange is one of the three towns where France's right wing National Front has gained its first local election victories

Walk around the Southern French town of Orange with Mr Alain Labé, the former mayor, and you could quickly get the impression of a settlement heading towards rapid destruction under its new administration.

The water has been switched off in the fountain he built, his experimental pavements designed to slow the traffic have been demolished, and the historic monuments have seen their entrance prices raised.

These are only some of the most immediate and most visible of a series of radical changes brought about since June, when the municipal elections held every six years across the country led to a sharp swing in power from the political left to the extreme right in the town.

For many years, those outsiders - in France and from abroad - who had heard of Orange at all knew probably a maximum of three things about it: the impressively preserved Roman theatre, the cultural festival held within it every summer, and its Dutch heritage dating from the 13th century.

In the last few months, the image has changed drastically as a modest Provence settlement of 28,000 people has become the subject of intense national and even international media attention following the election of a mayor from the extreme right-wing National Front party.

Mr Jacques Bompard, the mayor in question, is not alone. For the first time this summer, the National Front claimed victory in three municipal elections: Orange, Marignane and Toulon, all towns in the south of France.

While Orange is not the largest of the three, Mr Bompard has quickly turned himself into the most widely observed of the NF mayors, due both to his outspoken views and to a series of quick-fire decisions that he has made during just a few months since being installed in his office in the town hall.

Mr Jean-Marie Le Pen, leader of the party, lost little opportunity to wallow in the three victories for his party in June. But Mr Bompard argues that given the record 15 per cent score for Mr Le Pen in the presidential race in April, the low number of townhalls held by his party is "scandalous" and would be much higher if France was "a representative democracy". That is rather typical of the rhetoric of

Mr Bompard, and no doubt one of the reasons explaining why he won his election: simple snappy, populist formulae which send a powerful message, but are not always an exactly comprehensive summary of the true situation.

After all, one reason that the NF has nothing like 15 per cent of French townhalls after the municipal races is because the party did not put up candidates in very many settlements, knowing that the strength of support it was likely to achieve and its ability to organise was generally to be found in the larger towns.

In another example of his style, Mr Bompard quickly decries the state of the finances of the town budget that he inherited - and that he made a cornerstone of his campaign - by saying



Jacques Bompard, mayor of Orange: snappy, simple formulae that don't tell the whole story

that Orange is in debt to the tune of more than FF1m per inhabitant. Closer questioning reveals that this amount has been calculated in old francs - in current money the figure is 100 times less.

He is equally able to capitalise on his party's lack of experience of elective office to stress that it is the only one free of the taint of corruption allegations that have harmed many of the mainstream political groupings around the country. "You can't reproach us for anything," he says.

There is certainly no overtly racist rhetoric peppered the new mayor's speech.

Like his fellow NF mayors, the national party may be calling for priority to be given to French citizens above immigrants, but he has to work within the constraints of the existing laws, which are strictly non-discriminatory.

Mr Bompard says his first priority is to get the town's finances into shape, including cutting at least FF20m from next year's budget. His aim is to reduce local taxes after his first three years in office. Meanwhile, he has hired three additional policemen for the town. "I don't do things by ideology, but by common sense," he says.

He does refer to his idea of "Orangeois d'abord" - priority to local residents before others. This policy has already started to take effect. He has cut off the grant and rent-free premises of the town's medical sports centre, saying it provides assistance to people from all over the Northern Vaucluse region, but is largely paid for by Orange.

He is cancelling an annual grant and demanding rent and free tickets for the annual Chorégies cultural festival - largely, some suspect, in a fit of pique at being snubbed as chairman of the event, which has traditionally been offered to the mayor or a deputy.

He is also threatening with closure - through cancelling grants and removing rent-free premises - the local employment mission and the Mosaiques, a cultural association.

It just so happens that many of those reached by these two initiatives are those of immigrant origins. "If they are working, I am delighted that they are here," he says. "If they are unemployed, I would prefer they are unemployed somewhere else."

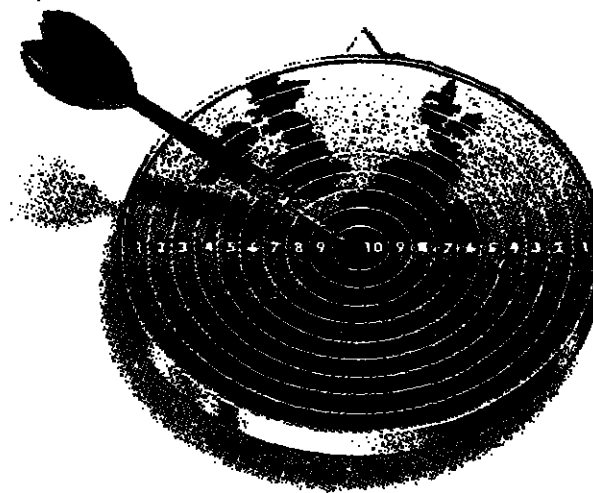
Mr Bompard's victory in Orange was precarious. He was aided by intense faction-fighting among his political rivals: two lists of candidates from the Gaullist RPR party, and two left-wing lists battled it out, splitting the vote and refusing in a second-round to form a "Republican front" to keep the NF out.

Even so, he only won by 87 votes - reduced to 84 in a re-count. He also faces the risk of having the election annulled and a new one held early next year if a court in Marseilles upholds Mr Labé's contention that some of the NF's pre-election campaign publicity was defamatory.

Other factors also explain Mr Bompard's election victory. He has got to know many in the town through pacing the streets over many years. Now in office, he still departs for regular walk-arounds to talk to residents about the issues they face.

The question is whether during his term in office such populism will be enough to counter-balance the ill-will he is creating, fuelled by an undeniable tendency of his critics to demonise his every move. Orange has a long historical tradition for quickly shifting its political allegiances.

BUSINESS IN EUROPE : DON'T MISS YOUR TARGET.



BUSINESS IN EUROPE ? FRANCE OBVIOUSLY ...

- GEOGRAPHY : THE HEART OF EUROPE BORDERING 7 COUNTRIES
- PURCHASING POWER : • THE WORLD'S 4TH LARGEST ECONOMY
• 60 MILLION AFFLUENT CONSUMERS (400 MILLION ALL OVER EUROPE)
- INFRASTRUCTURES : OUTSTANDING QUALITY OF TELECOMMUNICATIONS, TRANSPORT, ENERGY
- HUMAN RESOURCES : HIGH PRODUCTIVITY AND EDUCATIONAL QUALIFICATIONS
- TECHNOLOGY : LEADING HIGH TECH INDUSTRIES AND R&D NETWORK
- RETURNS : TOP RETURNS ON INVESTMENT AMONG EUROPEAN UNION COUNTRIES

BUSINESS IN FRANCE ? IFN OBVIOUSLY ...

IFN (INVEST FRANCE NETWORK) 17 AGENCIES AROUND THE WORLD (THE INVEST IN FRANCE AGENCIES) ASSIST INVESTORS IN EVERY POSSIBLE WAY, FROM SITE LOCATION TO REGULATORY PROCEDURES AND FINANCIAL INCENTIVES.

IFN IS A COALITION OF REGIONAL DEVELOPMENT ORGANIZATIONS, FINANCIAL INSTITUTIONS AND PRIVATE FIRMS, CREATED BY DATAR, THE FRENCH DEVELOPMENT AGENCY RESPONSIBLE FOR ASSISTING FOREIGN INVESTMENT.

TAKE ADVANTAGE OF IFN'S SERVICES IN YOUR COUNTRY, OFFERED FREE-OF-CHARGE AND IN THE STRICTEST CONFIDENTIALITY, TO MAKE YOUR INVESTMENTS PAY OFF.

FOR DETAILS ON OUR SERVICES, CONTACT US DIRECTLY OR RETURN THE ATTACHED COUPON TO IFN (PARIS).

YOUR TARGET IS OUR TARGET

IFN - PARIS
1, avenue Charles-Floquet,
75007 Paris
Tel : (33) 1 40 85 10 06
Fax : (33) 1 40 85 12 40

NORTH AMERICA
IFN New York
Tel : (1) 212 797 93 40
Fax : (1) 212 345 18 68
IFN Chicago
Tel : (1) 312 681 18 40
Fax : (1) 312 681 05 23

IFN Houston
Tel : (1) 713 269 9172
Fax : (1) 713 269 9884

IFN Los Angeles
Tel : (1) 310 785 97 35
Fax : (1) 310 785 92 13

NORWEGIAN COUNTRIES
Sweden
Tel : 46 (0) 8 887 74 75
Fax : 46 (0) 8 882 16 69
or : 46 (0) 8 882 58 88

EUROPE
IFN Belgium
Tel : (32) 2 448 59 40
Fax : (32) 2 448 59 50
IFN Germany
Tel : (49) 69 724 15 53
Fax : (49) 69 724 16 57

IFN Italy
Tel : (39) 2 72 02 25 43
Fax : (39) 2 72 02 25 43
IFN Netherlands
Tel : (31) 20 682 20 39
Fax : (31) 20 682 08 31

IFN Switzerland
Tel : (41) 1 261 415 00
Fax : (41) 1 261 415 05
IFN United Kingdom
Tel : (44) 71 823 1895
Fax : (44) 71 235 8453

IFN Spain
Tel : (34) 1 583 4378
Fax : (34) 1 411 5818

ASIA
Japan
IFN Tokyo
Tel : (81) 3 33 55 59 00
Fax : (81) 3 33 55 59 30

IFN Osaka
Tel : (81) 66 48 79 85
Fax : (81) 66 48 79 85
IFN Taiwan (Taipei)
Tel : (886) 2 713 29 85
Fax : (886) 2 548 08 87

IFN Hong Kong
Tel : (852) 225 43 18
Fax : (852) 225 43 18

IFN Korea (Seoul)
Tel : (822) 564 90 32
Fax : (822) 564 90 32
or : (822) 564 94 31

NAME _____ FIRST NAME _____
COMPANY _____ ACTIVITY _____
ADDRESS _____ TEL _____
PLEASE SEND ME INFORMATION ON:

Microelectronics
selects
Provence

PROMOTION 13
MARSEILLE
PROVENCE
ECONOMIC DEVELOPMENT AGENCY

Name _____
Company _____
Address _____
Phone _____

4 THE SOUTH OF FRANCE

Regional communications by David Buchan

Beyond the blue horizons

Southern France aspires to be the lynchpin of an ever-expanding transport network

They call it the Mediterranean Arc.

Throughout southern France people see their area as the keystone of a geographical arch stretching from Catalonia in the west to Lombardy in the east. To fulfil this role, however, this part of France urgently needs better transport links.

In some parts, it is more developed than in others. For example, Languedoc-Roussillon feels it has better rail prospects than Provence-Alpes-Côte d'Azur (Paca) thanks to the existence of firm plans to extend the TGV from Montpellier to Barcelona. There are no

TGVs to make alternate stops in his city and nearby Montpellier, a suggestion which may not appeal to Mr Georges Frêche, the forceful long-serving mayor of Montpellier.

Languedoc-Roussillon's sense of its own geographical advantages is further reinforced by proposals to extend the A-75 highway from Clermont-Ferrand in central France straight down to Béziers, thus avoiding the detour that north-bound Languedocians have long had to make through the Bouches du Rhône. Another axis to Languedoc-Roussillon may be as important as the 18th century Canal du Midi from Bordeaux to the port of Sète.

Further east, greater priority is given to building the proposed Mercantour road tunnel from the Nice-Cannes area to Turin. The aim is to forge better links between the French Alps Maritimes and Italy and to win business from Turin for Nice airport - by coincidence Nice was ruled from Turin until 1860.

"The TGV is not a priority for us unless it extends into Italy," says Mr Gilbert Stelardo, deputy mayor of Nice. "But the TGV is already to go from France to Italy via Mont Blanc." Mr Marc Reynaud, director of infrastructure for the Alpes Maritimes Department, believes that both TGV and Mercantour links are necessary. "Otherwise the Mediterranean Arc will be bypassed by the Alps and go via Lyons and Turin."

A road tunnel from Nice to Turin is under consideration

plans yet for a similar link between the Côte d'Azur and northern Italy.

Last month, President Jacques Chirac and Spanish Prime Minister Felipe Gonzalez endorsed the TGV project to link their countries by the year 2005, with a sub-Pyrenean tunnel between Perpignan and Figueras. How it will be financed, and quite where it will terminate, has yet to be decided - Mr Alain Clary, the new mayor of Nîmes, wants



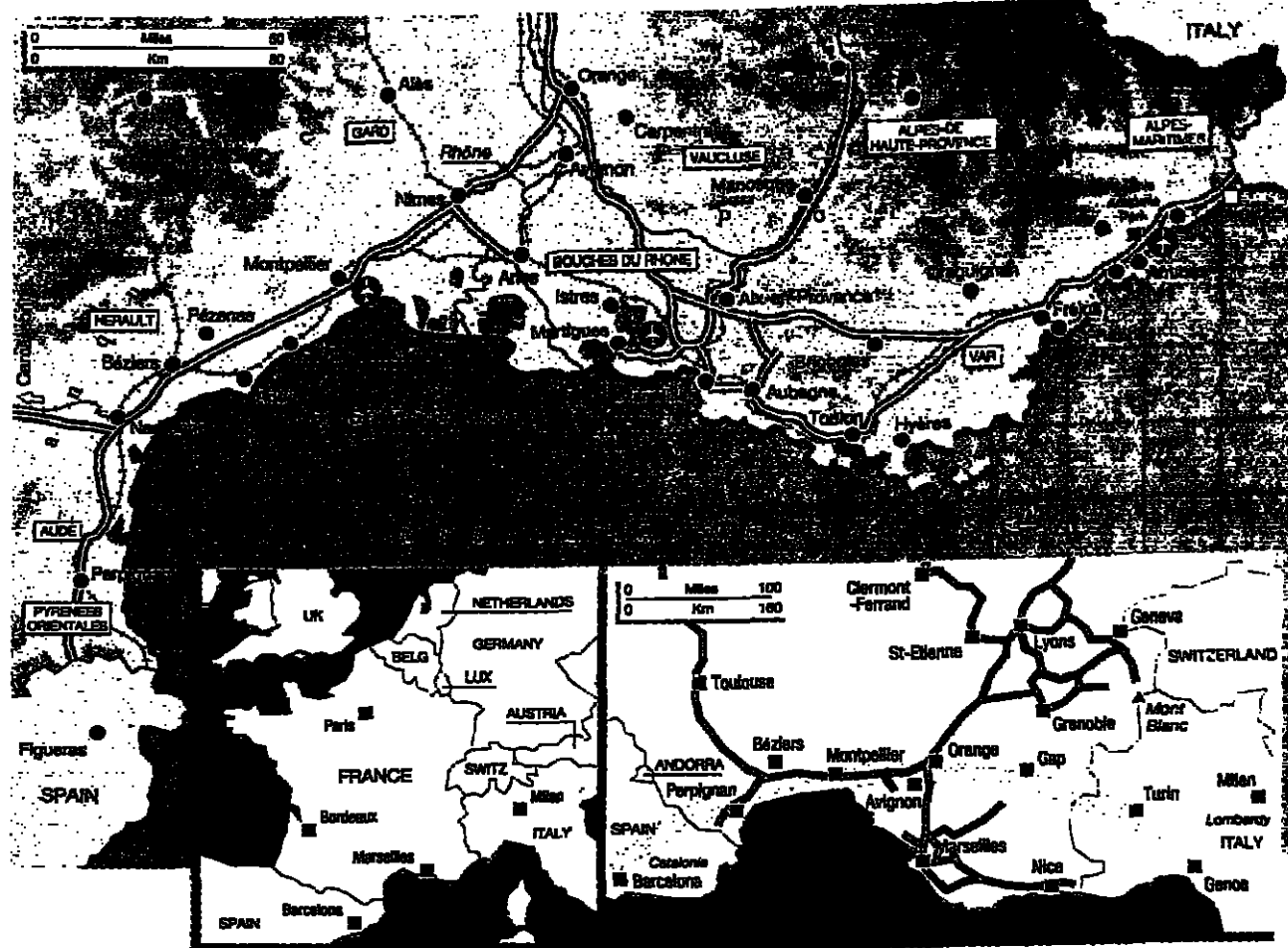
The port of Nice: campaigning for better access by road, rail and air.

airport's marketing drive, claims that even if the TGV is extended eastward from Aix-en-Provence to Nice, the latter's airport is the only airport in France which would not be threatened by the TGV. Nice's distance from Paris, plus the difficulty of running the TGV at full speed through the densely populated Côte d'Azur, will always keep the city's airport competitive.

With 6.2m passengers passing through it last year, Nice

has become the major international gateway to southern France. It has 43 regular airlines flying out of it to 91 direct destinations in 38 countries - but this is not enough for Mr Raymond. He would like to see more direct links to the US - Delta has already daily direct flights from New York in the summer - and to Asia.

From eastern Europe, Aeroflot now flies to Nice - bringing in Russia's nouveaux riches and, it is said, its Mafia



to "party" on the Côte d'Azur - as does Lot of Poland. Mr Raymond also wants flights from Prague and Budapest - and even more important, from more regional centres in Spain, Italy and France itself. "It is very important to provide feeder services for long-haul flights," he says.

To handle such increases in business, Nice plans a rather ingenious expansion. This will shift one of its two runways closer to the sea, but without

reclaiming more land from the sea, and join its two separate terminals into one long terminal with direct access to aircraft, so saving space.

None of this development of Nice, claims Mr Raymond, need be at the expense of Marseille's airport at Marignane or the airport at Montpellier where Air Littoral is based. Marseille, which handles about 5m passengers a year, is complementary to Nice, because it has more north-

south links, specialising in links with Africa and in freight, he says.

Marseille's recent sea transport bottlenecks have been of its own making, or rather those of its dockers. Until 1994, Marseille's dockers operated rather as a medieval guild of independent workers, and as a closed shop were able to dictate terms to the port authorities, shippers, and local industry. Their writ ran not only in the old port of Marseille, but

also in the vast new industrial complex created by President Pompidou in the early 1970s at Fos and around the inland lake of the Etang de Berre.

Reform has finally come. The dockers are now salaried employees of the port and much reduced in number. Recovering from a low of 88m tonnes in the strike-ridden year of 1993, Marseille-Fos handled 92m tonnes last year, and the prospects are for steady growth.

Electronics and semiconductors by John Ridding

The factories are going up

Cézanne would have been amazed by the latest intrusions on his sunny landscape

At the foot of the Saint Victoire mountain near Aix-en-Provence the quiet of the countryside made famous by Cézanne is about to be broken by the sound of construction equipment.

The building projects - new semiconductor plants for SGS-Thomson and Atmel of the US - mark the latest step in the expansion of the region's electronics industry. And, over recent years, this business sec-

tor has become as important to the local economy as the flat-topped mountain was to the French artist.

From IBM in Montpellier to Digital Equipment in Valbonne, many of the giants of international electronics are present in southern France. Drawn by research facilities, the logistical considerations of the southern European market, and by the presence of suppliers, foreign and French groups have made the sector a mainstay of the local economy.

For the moment, it is in the mini silicon valley of Rousset in the shadow of Cézanne's mountain that the pace of development is quickest. The

Provence-Alpes-Côte d'Azur electronics plants by activity and number employed January 1, 1994

Activity	0-9	10-49	50-99	100+	TOTAL
Passive components	15	1	2	2	20
Active components	25	10	0	0	35
TOTAL	40	11	2	2	55

Source: INSEE

Bouches du Rhône: electronics plants by activity and number employed, January 1, 1994

Activity	0-9	10-49	50-99	100+	TOTAL
Passive components	9	1	0	0	10
Active components	11	6	0	0	17
TOTAL	20	7	0	0	27

Source: INSEE

two semiconductor plants represent a combined investment of about FF1.8bn and will bring about 1,500 jobs to the community. They will also confirm the Bouches du Rhône Department as one of France's biggest micro-electronics centres, with about 25 per cent of national sales of FF1.3bn, according to the area's development agency.

Given the local economic tradition of mining and agriculture, the rise of the microelectronics sector requires some explaining. Mr Bernard Pruniaux, chief executive of Atmel ES2, sees the development as a natural progression. Partly spurred by investment incentives to compensate for the decline of traditional industries, big names such as National Semiconductor and Thomson were drawn to the region. Their expansion helped draw support industries and further investment from the semiconductor producers.

Mr Pruniaux himself has experienced much of the development of the past 15 years. From Eurotechnique, which was taken over by Thomson of France, he moved to ES2. Following the purchase of a controlling stake in the European company in April by Atmel, he is now chief executive of Atmel ES2. His first task is to oversee a \$50m investment in the company's existing wafer fabrication plant and the building of the new FF2.2bn unit.

For SGS-Thomson, its big new project at Rousset is due to start production in 1998, partly reflects the company's strategy of building plants where it has existing operations. Mr Alain Duthell, vice president for strategic planning, also cites the development of subcontractors, suppliers and related companies around the site.

Some of the related companies are the result of spin-offs from the existing players. Mr Christian Carlier, head of SGS-Thomson's Rousset operation, cites the example of Gemplus, the thriving smart-card manufacturer, which was shed from the Franco-Italian manufacturer as part of its restructuring at the end of the 1980s.

The network of related companies and the presence of suppliers has helped the local investment agency draw new businesses to the sector. So has the financial assistance provided by Rousset's status as an industrial conversion zone. But the greatest help has come from the semiconductors boom.

The FF1.8bn investment by SGS-Thomson, for example, is aimed at capitalising on sales

growth forecast to exceed 40 per cent for the industry this year. With its sights on a Top 10 ranking - it is currently number 13 - it needs the new plant to satisfy demand and to extend its market share.

Funding has been facilitated by the sharp rise in its share price, which has doubled from the FF118.95 at which the company was floated last December in Paris and New York. The rise in the share price itself reflects the climb in profits which increased from \$253m to \$358m in the first nine months of the year.

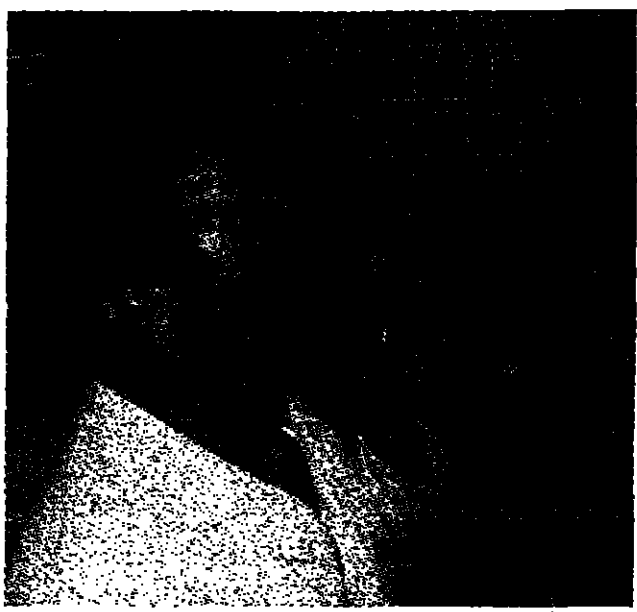
But will the boom in the semiconductor industry turn to bust? And could the new chip plants springing up in the region be threatened by the same fate as the smokstack industries they have helped replace in the local economy?

Most analysts accept that the growth rate in the semiconductor market will be hard to sustain and that margins will ultimately come under pressure as new capacity comes on stream. There are 15 companies aiming for 10 per cent of the market, says Mr Bill McClean, vice president of Integrated Circuit Engineering, the Arizona-based research and consultancy group. He points to investment projects in the US, Europe and Asia as evidence of growing supply and the fight for market share.

But Mr McClean, like other observers, believes that growth will remain in double digits until 1997 at least and that the industry is less cyclical than it was. This partly reflects the rise of specialised semiconductor applications. SGS-Thomson, for example, has a strong position in Flash and Reprams - chips which can be re-programmed within an electronic system - and in chips for the telecomm and automotive sectors.

"No one has a crystal ball, but there are many reasons why we won't see a collapse as we did in the 1980s," says Mr Duthell. He adds that SGS-Thomson has focused on high growth, high margin and relatively stable products which are less cyclical.

Mr Pruniaux is similarly sanguine. "There is strong underlying demand from many industries and there are several different cycles at work now. So the ups and downs will be less sharp," says the Atmel ES2 executive. Like many of his counterparts in the industry he is more likely to lose sleep over the start-up date for the new plant than fears of a downturn in demand.



Getting it right: a blender at a Grasse perfume factory

Grasse and its secrets by David Buchan

The sweet smell of prosperity

How a small town in the mountains near Cannes tickles nostrils and palates around the world

Grasse, a little town clinging awkwardly to a hillside north of Cannes, has a big share - around 10 per cent - of the world market in delicious scents and flavours.

These are no longer just the essences first distilled from local plants such as jasmine, rosemary and lavender for the Paris aristocracy of the 18th century. Grasse now imports raw materials from around the world, and transforms them into essences for perfumes, cosmetics, detergents, even insecticides, and aromas for yoghurts, ice cream, confectionery, biscuits, soft drinks and frozen foods.

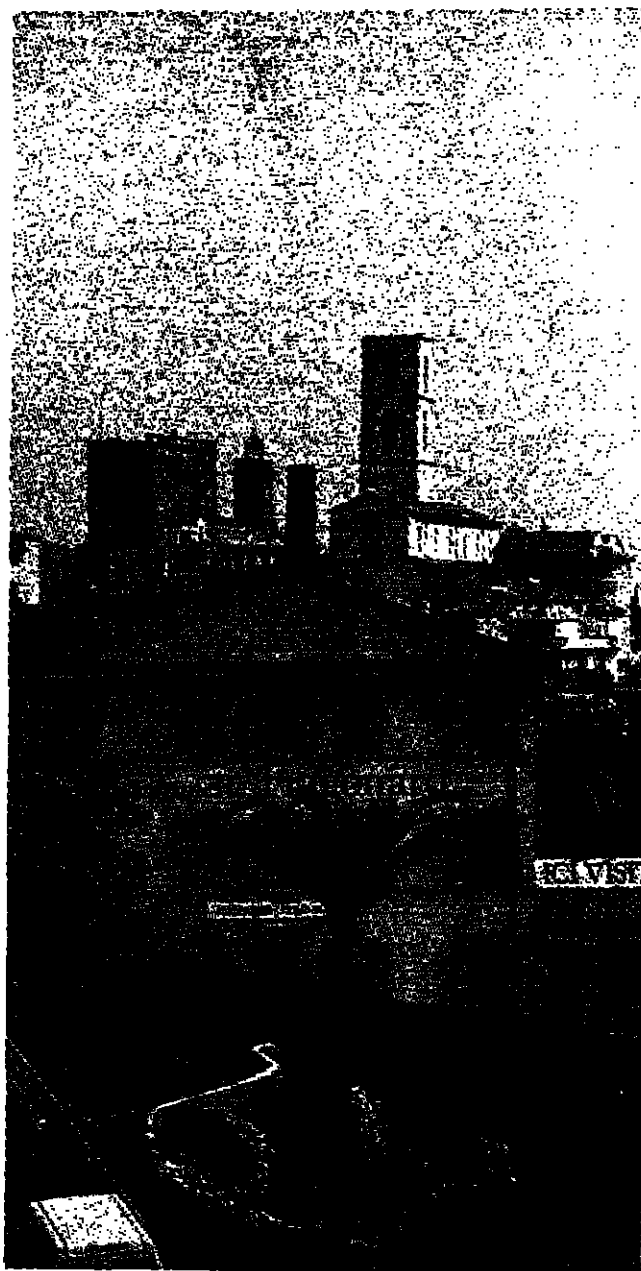
Of the 70 companies that belong to France's Syndicat National des Fabricants de Produits Aromatiques, 30 are based in Grasse, employing 2,800 people. They account for FF2.8bn of the country's total FF1.8bn annual output of perfumes and aromatics, of which

half is exported. Some are offshoots of big groups such as Rhône-Poulenc, Elf Sanofi or Bayer of Germany which has just bought up the Grasse company of Florasynth.

Others have kept their independence. They include Robertet, which is still controlled by the Maubert family which founded it in 1850 and which is broadly representative of the industry because it is active in raw material extraction, perfumery compounds and food flavouring.

Its managing director, Mr Joseph Rignucci, and his deputy, Mr Lionel Picotet, admit the company is mainly in Grasse for historical reasons. "The town is relatively unworldly, coming to industrial activity," says Mr Picotet. "The tourists get in the way, and costs are high."

But he stresses that Grasse still remains "the intellectual capital" of the world perfume industry, because it has people "with a knowledge of the raw materials and a sort of atavistic sense of smell instilled into them". Mr Rignucci says that there is thus no need to insist that his Grassois employees should all be chemists - "it



Visitors welcome: the perfumes factory of Pragonard in Grasse

would be like insisting that Van Gogh take painting lessons" - though modern extraction and distillation techniques require some trained chemists.

Robertet imports about 1,000 different raw materials, chiefly from China, India, Turkey, Egypt and South and Central America, and 80 per cent of its FF1.7bn annual sales are abroad, with 40 per cent in the US where it has three subsidiaries. Like other Grasse com-

panies, its sales are not to consumers but to manufacturers such as L'Oréal, Procter & Gamble and Unilever who incorporate Robertet essences and aromas into their own products. Increasingly, perfume manufacturers rely on companies such as Robertet to invent new perfume brands; but they would never admit this publicly and Robertet is far too discreet to claim credit.

CANNES RIVIERA
Winter Fun
£99
PER ROOM IN DOUBLE ROOM
including
double occupancy
Breakfasts
Private Welcome Gift
Valid Nov. 1st to March 31st 96
except Festivals
Reservation
Toll Assisted London: 0345 581 595
Toll Free Paris: 05 90 75 46
NOGA HILTON CANNES
50, bd La Croisette
66414 Cannes Cedex
Tel: (33) 92 99 70 00 Fax: (33) 92 99 70 11
BROCHURE ON REQUEST

INTENSIVE LANGUAGE COURSES FOR MOTIVATED PEOPLE
The only way to learn a language is to live it
At CERAN, It's Concentrated, It's Fun, It's Fast, It Works
HEAD OFFICE
in Belgium
Avenue du Château, 267
B-4900 SPA
Tel: (32) 87 79 11 22
Fax: (32) 87 79 11 88
CERAN
Since 1975

INDEX OF FT SURVEYS
June 1993 - August 1995
This index has been compiled for researchers and libraries and those who require a sound briefing on national and international subjects.
A useful cross-index of all FT surveys published in the above period, listed in alphabetical order and by subject.
To receive your copy, send a cheque for £3.00 made payable to Financial Times to:
Marketing Department, Financial Times
1, Southwark Bridge, London SE1 9HL
Tel: +44 (0) 171 873 3213

Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.
Hand delivery services are available for all subscribers who work or live in the business centres of Aix en Provence, Bordeaux, Cannes, Farny Voltaire, Grenoble, Lyon, Marseille, Metz, Monaco, Nancy, Nice, Paris, Strasbourg, and Toulouse.
Please call (1) 42 97 06 23 for more information.
Financial Times. World Business Newspaper.

مكتبة الامير

PLUMB CENTER
Number one.
Second to none.
WOLSELEY
The name on the door.

FINANCIAL TIMES COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1995

Wednesday November 8 1995

telia
Your competitive edge
in telecommunications
Telia International UK Ltd.
Freephone: 0800-454 899
Telefax: 0171-416 0307

IN BRIEF

Astra rises 26% as earnings slow

Astra, the Swedish pharmaceuticals group, reported a 26 per cent increase in pre-tax profits to SKr1.12bn (\$1.37bn) in the first nine months, but earnings growth slowed markedly in the third quarter and the result failed to match average market expectations for the first time in many quarters. Page 16

Battle for Czech funds heats up

A takeover battle surrounding the Czech Republic's big investment funds escalated after one of the country's main banks, Agrobanka, said it was behind an attempt to wrest control of the funds from more established competitors. Page 16

Pitfalls for Pechiney on privatisation road

Pechiney shareholders gathered on Monday to approve plans for privatisation and prepare for a launch of the operation as early as the end of the month. But a smooth sale is far from a formality for the French aluminium and packaging group. Page 17

Overseas banks attack Frankfurt's 'flaws'

Foreign banks in Frankfurt still see significant weaknesses in Germany's main financial centre, in spite of efficiency gains in recent years, according to Landeszentralbank in Hessen, the regional central bank for the state of Hesse. Page 17

Nippon Steel rebounds amid sluggish sales

Nippon Steel, Japan's largest steel maker, reported first-half recurring profits - before tax and extraordinary items - of ¥29.4bn (\$285m), compared with a loss of ¥28bn in the same period last year, in spite of stagnant domestic sales. Page 18

Gencor retreats from S African gold mining

Gencor, the South African-based natural resources group, announced a partial retreat from the local gold mining industry as it agreed to sell four of its mines to Randgold in a R150m (\$41m) deal. Page 18

Turner Broadcasting doubles to \$40m

Turner Broadcasting System, Mr Ted Turner's US cable television group which is currently finalising a \$7.5bn merger with Time Warner, reported a doubling of net income to \$40m in the third quarter before one-off charges. Page 20

Generator reaffirms overseas ambitions

National Power, the larger of the two privatised UK generators, insisted its international ambitions would not be constrained if its £2.8bn (\$4.42bn) bid for Southern Electric is successful. Page 21

Allied Domecq slips 21% to £494m

Allied Domecq, the UK drinks group, reported a 21 per cent drop in annual pre-tax profits to £494m (\$790.5m), hit by the costs of reshaping its businesses, sharp discounting in some spirits markets and a steep drop in UK beer profits. Page 22

Venture capitalists head for final frontier

Venture capitalists are moving into Ukraine, east Europe's last large investment frontier, where companies in the growing private sector desperately need investment to expand in a virgin market of 52m people. Page 24

Companies in this issue

Agrobanka	16	Irish Steel	2
Allied Domecq	22	Isolat	2
Anglian Water	21	Lyonnais des Eaux	15
Astra	16	MAM	21
Avesta Sheffield	16	MAN	17
Banco Ambrosiano Ven	15	Marika and Spencer	21
Bayer	15	Maytag	6
Bechtel	16	NBC	20, 18
British Petroleum	21	National Power	21
British Steel	21	Nava Fin & Sacs	18
Capital Cities/ABC	20	Nippon Steel	15, 20
Carmichael/Box	2	Northumbrian Water	15
Cirrus Logic	2	Pechiney	17
Citibank	16	Pfizer	16
Coca-Cola	7	Randgold	18
Crédit Agricole	15	SBC	16
Crown Cork & Seal	2	SBC Warburg	16, 15
DLJ	20	Sabco	7
ESPN	20, 15	Samsung	4
Emery	20	Solaris	18
Embotelladora Andina	20	Sony	18
Europol Gas	4	Stena Line	20
Farmos Plastics	20	TBS	20
Fox Sports	20	TCI	15, 20
France Télécom	16	Time Warner	16
Gencor	18	Toshiba	16
General Fin & Sacs	18	United Energy	18
Glaxo Wellcome	16	Walt Disney	20
Inchcape	22		

Market Statistics	
Annual reports service	25-27
Benchmark Govt bonds	24
Bond futures and options	24
Bond prices and yields	24
Commodities prices	24
Dividends announced, UK	21
EMS currency rates	25
European prices	24
FTSE 100 index	24
FTSE 250 index	24
FTSE 100 index	24
FTSE 250 index	24
FTSE 100 index	24
FTSE 250 index	24

Chief price changes yesterday	
FRANKFURT (DM)	
Agrobanka	866 + 8
Anglian Water	1074 + 59
Astra	525 + 10
Bechtel	510 + 10
Bayer	182 + 8
Bechtel	740.5 + 10.5
LONDON (Pence)	
Agrobanka	488 + 51
Anglian Water	1074 + 59
Astra	525 + 10
Bechtel	510 + 10
Bayer	182 + 8
Bechtel	740.5 + 10.5
LONDON (Pence)	
Agrobanka	488 + 51
Anglian Water	1074 + 59
Astra	525 + 10
Bechtel	510 + 10
Bayer	182 + 8
Bechtel	740.5 + 10.5

Sweeping changes in SBC management

By Ian Rodger in Zurich and John Gapper in London

Swiss Banking Corporation yesterday disclosed sweeping changes in the management of the group and SBC Warburg, its investment banking division, sparked by the decision of Mr Walter Frehner, its chairman, to step down next May.

Mr Marcel Ospel, the 45-year-old investment banker who led SBC in making three international investment banking purchases in the past four years, is to be promoted from chief executive of SBC Warburg to group chief executive. He will succeed Mr Georges Blum, who will become chairman. Mr Blum is credited with bringing a much tighter management discipline to a bank which had suffered several highly-publicised loan losses in the early 1990s.

Mr Hans de Gier will become chairman of SBC Warburg, the firm formed following the 2800m (\$1.3bn) purchase of S.G. Warburg, the UK investment bank, this year. He will take the place of Sir David Schley, who is stepping down immediately.

SBC Warburg said the move was an "orderly transition" that Sir David had wanted. The investment bank also announced the full membership of its investment banking board, to which a number of younger executives have been promoted.

SBC executive board from January. These are: Mr George Feiger, Mr Markus Granzio, Mr Andy Scilliano, Mr David Solo, Mr Rodney Ward and Mr Roland Wojewodzki.

Teams win unexpectedly large \$1.7bn package for broadcasting rights

Baseball on home run with TV deal

By Christopher Parkes in Los Angeles



Dominating the field: baseball teams will each benefit to the tune of \$12m a year from broadcasting deal

Sharpened competition in the US sports television market has helped major league baseball teams win an unexpectedly large payment for broadcasting rights over the next five years.

A \$1.7bn package has been agreed with four TV groups: News Corp's subsidiary Fox; the new cable company being forged from interests owned by News Corp and Liberty Media, a subsidiary of the Telecommunications Inc group; ESPN, the world's leading sports business, now controlled by Walt Disney; and NBC, the US television group.

The deal - equivalent to about \$12m annually for each club - exceeded expectations damped by a strike which shortened the 1994 and 1995 seasons, reduced attendance by about 20 per cent, and allegedly alienated fans.

However, the sport's commercial attractions have been heightened in the past few weeks by increased competition, partly by the emergence of the News Corp/TCI venture. But perhaps the most telling factor was a stirring World Series starring the Cleveland Indians, and the victorious Atlanta Braves, owned by Turner Broadcasting System.

French bank lifts Ambroveneto stake

By Andrew Hill in Milan

Crédit Agricole, France's biggest mutual bank, is to pay nearly L300m (\$188m) to lift its stake in Banco Ambrosiano Veneto, one of Italy's largest banks, to just over 30 per cent.

Agricole was to lift its stake to just over 30 per cent, although the bank declined to comment. Ambroveneto's existing shareholders are to pay L7,000 a share for the San Paolo holding. Although the price looks high compared with yesterday's closing price of less than L4,000, it represents a premium for control of one of Italy's largest and most efficient banks. Ambroveneto grew from the ashes of Banco Ambrosiano, which collapsed in 1982 under the leadership of Mr Roberto Calvi.

The increase in Crédit Agricole's stake confirms the French bank as the clear winner of a stand-off earlier this year with Istituto Bancario San Paolo di Torino, Italy's biggest bank. After disagreements over Ambroveneto's strategy, San Paolo agreed to sell most of its 30 per cent stake to Crédit Agricole and other members of the shareholder pact. Allianz, the Italian insurer, should increase its stake to 16 per cent, and a group of banks from Lombardy and the Veneto region will together own about 25 per cent.

San Paolo will receive L875m for the 19.22 per cent stake it is selling, realising a capital gain of L235m. The French bank, which first took a stake in Ambroveneto in 1988, can expect to increase the number of directors appointed to the Italian bank's board. Four directors linked to San Paolo are likely to step down and be replaced by representatives of the shareholder pact.

UK eases way for Lyonnaise des Eaux to bid for utility

By Christopher Price in London and Andrew Jack in Paris

Shares in Northumbrian Water rose sharply yesterday after the UK government gave the go-ahead to Lyonnaise des Eaux's potential bid for it under conditions less onerous to the French group than expected. The shares rose 66p to 107p.

Mr Ian Lang, trade and industry secretary, said Lyonnaise must make price cuts of 15 per cent to customers in the combined water businesses over the next six years. This compares with 15 to 20 per cent over five years recommended by the Monopolies and Mergers Commission and the Department of Trade and Industry in the summer.

Northumbrian has agreed to meet with Lyonnaise, which owns the neighbouring North East Water, early next week. However, Northumbrian executives expressed disappointment at the DTL decision and dismay at the apparent change by Mr Ian Byatt, the industry regulator, who advised the DTL in the amount and timing of the price cuts.

"We are staggered by the regulator's decision to reduce the conditions attached for a bid," said Mr Mike Taylor, finance director. Mr Byatt denied he had put a time-scale on his recommendations to the MMC and said the five-year period had come from the DTL. "The costs the company will have to cut still represent a great challenge for the company," Mr Patrick Babin, the Lyonnaise director responsible for international financial negotiations, agreed. "The conditions they have imposed are extremely tough. They will have a negative impact on the price we offer."

The French group announced its intention to bid for Northumbrian in March, but has waited for the regulatory process to be completed before it details its proposals. The enlarged group would have just over 1m customers and a combined turnover of nearly £400m (\$632m). Mr Babin said that Lyonnaise's "preferred scenario" was a friendly offer for the group, but that "all the options are open" including either a hostile offer or dropping the plan.

Barry Riley US Treasuries enjoy an export boom



A key fundamental driving the international securities markets this year has been the fall in the long US Treasury bond yield from 7.87 per cent on January 1 to under 6.3 per cent recently. This is similar to the level reached at the end of 1993 (ignoring the brief spike down to 5.78 per cent).

But unlike in 1993, when the main demand came from US banks and other institutions, notably hedge funds, much of the money flowing into the US Treasury market this year has come from abroad - especially from the Bank of Japan and other Asian central banks which have sold their own currencies for dollars which they have mostly invested in bonds.

The scale of this bond market intervention up to the end of June has now been documented in the Securities Industry Association's latest quarterly analysis *Foreign Activity*. The second quarter saw the greatest downward pressure on the dollar's exchange rate against the yen, and intervention surged correspondingly. Thus foreigners bought \$48.5bn of US Treasuries in the second quarter, and total dollar bond acquisitions reached \$68.6bn for the three months and \$116.4bn for the first half.

But this time the bond inflows have been twice as big and corporate profits growth has been better than it was two years ago. And whereas in 1993 US money spilled into emerging markets overseas, this time it has scarcely happened, perhaps because of the damage done to confidence by the Mexican crisis.

You might say that American investors have been priced out of their own bond market. Recently, 10-year German bonds have been yielding as much as 50 basis points more than the equivalent US Treasuries. The behaviour of mutual fund investors also tells a revealing tale. Government bond funds have remained in net redemption this year, and gross sales of equity funds have been running at nearly twice the level of bond and income funds in August and September.

While foreigners were aggressively buying bonds they shunned the booming US equity market

But this time the bond inflows have been twice as big and corporate profits growth has been better than it was two years ago. And whereas in 1993 US money spilled into emerging markets overseas, this time it has scarcely happened, perhaps because of the damage done to confidence by the Mexican crisis.

You might say that American investors have been priced out of their own bond market. Recently, 10-year German bonds have been yielding as much as 50 basis points more than the equivalent US Treasuries. The behaviour of mutual fund investors also tells a revealing tale. Government bond funds have remained in net redemption this year, and gross sales of equity funds have been running at nearly twice the level of bond and income funds in August and September.

President Clinton is encouraged by signs that the Republicans are slipping in the opinion polls, and he may decide to fight vigorously to protect Medicare - a valuable benefit which is popular with the middle classes. If the outcome is not as benign as assumed, yields could easily back up by 30 or 40 basis points. At any rate, there are the elements of serious structural distortion in the US securities markets. Foreign buyers have bid up bonds, often for non-investment reasons, while equity prices have gone sky-high and value indicators, such as price-to-book, have swung right off the normal scale. Sooner or later, the markets will have to come back into line. It does not have to happen as in early 1994, when bonds crashed dramatically because unstable financing positions had to be unravelled in a hurry. The foreign central banks and their fellow-travelling local institutions are playing a longer game, primarily to sustain the fundamentally unstable US trade position. But they are not there on this scale forever.

This announcement appears as a matter of record only

kpn

Koninklijke PTT Nederland NV

Offer of
115,000,000 Ordinary Shares by
The State of The Netherlands
at NLG 55 per Share
raising NLG 6,300 million

N M Rothschild & Sons Limited
acted as financial adviser to
The State of The Netherlands

October 1995

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Belleli shakes up top management

Belleli, the Italian engineering contractor, is to appoint an outside manager as chief executive, to help the family-owned company through difficult financial and industrial restructuring. Mr Renato Cassaro, 55, will join from Fintecna, the industrial and civil engineering subsidiary of IRI, Italy's state holding company. The appointment of an independent chief executive was one of the demands of creditor banks, which are deciding whether to back the restructuring.

The move will distance the Belleli family from day-to-day management. Mr Riccardo Belleli, the current chief executive and son of Rodolfo, the founder-chairman, will become the group's deputy chairman. The group ran into financial trouble during the summer after the Saudi Arabian and Italian governments delayed payments on certain contracts. Italian and foreign banks, which in September had L500bn (\$501m) of loans outstanding to Belleli, refused to extend further credit.

Belleli said yesterday that creditors representing about 50 per cent of Belleli's outstanding debt had agreed to a financial and industrial restructuring plan, which would include the rescheduling of loans and the granting of L365bn of new financing to guarantee ongoing contracts. The plan needs 75 per cent backing to go through, and could reach that level of support if Banco di Napoli and Banca Nazionale del Lavoro decide today to back it.

Andrew Hill, Milan

Pipeline dossier price 'too high'

A tender announced by Europol Gaz, a joint Polish-Russian company, to arrange \$2.4bn worth of financing for the 635km section of a proposed gas pipeline linking the Jamal peninsula with western Europe is running into problems over the price of the information dossier for the project. Foreign investment banks interested in competing say that the 150,000 zloty (\$61,000) being asked by Europol Gaz is extraordinarily high. According to one bank, no one has yet purchased the dossier. Europol Gaz, which is part owned by Gazprom, the Russian gas monopoly, will build and operate the Polish section of the pipeline.

"The fees on this kind of project would run to between \$30m and \$25m and that's fine for the company which wins but the others are being asked to pay out a relatively large sum with no certainty of being able to recoup it," said one banker. According to the company the aim of setting the high price was to cut down the number of bids in order to be able to appoint an adviser soon.

Christopher Bobinski, Warsaw

Thermosyntex takes Azot stake

Thermosyntex, a Liechtenstein chemicals company, is to buy a 30 per cent stake in Azot, a partially privatised Ukrainian mineral and chemical products manufacturer. The deal puts Thermosyntex among the largest foreign investors in the second biggest former Soviet republic. The Liechtenstein company will buy the equity stake for \$10m and invest an additional \$70m in Azot, based in Cherkassy, a city on the Dnieper River in central Ukraine.

The agreement was signed with Ukraine's state property fund, the government agency charged with selling off the country's large and struggling state sector. To allay the suspicion toward western capital, Thermosyntex agreed not to reduce Azot's workforce, to raise wages by 30 per cent and to provide all benefits.

Matthew Kominski, Kiev

France Telecom arm 'to cut loss'

France Telecom's subsidiary France Telecom Mobiles will post a smaller operating loss in 1995 than 1994's FF900m (\$163m), said the unit's chairman Mr Michel Bertinotto. Equilibrium would be achieved by the end of 1996 and the unit should reach break-even in 1997, he said. France Telecom said it had invested between FF60m and FF710m in the mobile telephone network and expected the number of subscribers to reach 700,000 by the end of 1995 and 8m by 2000.

AFX News, Paris

■ Citibank has decided to make Warsaw, the Polish capital, its centre of operations for central and eastern Europe, Mr William Rhodes, bank vice-chairman, said yesterday. "This is a sign of our confidence in Poland's potential," he said.

■ Stena Line, the Swedish shipping group, yesterday posted profits after financials down 58 per cent from SKr578m to FF72m (\$40.6m) for the first nine months. The company said the weaker result was mainly caused by a sharp drop in passengers on longer routes, especially in Scandinavia. Other factors were increased competition from the Channel Tunnel and higher fleet capacity costs.

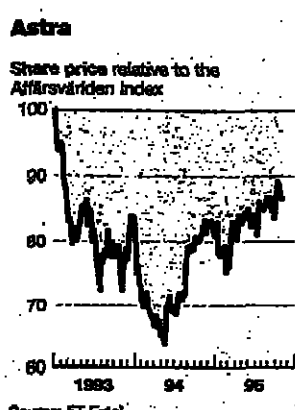
AFX News, Stockholm

Astra posts 26% increase at nine months

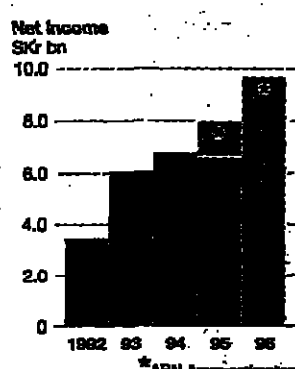
By Hugh Carnegie
in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday reported a 26 per cent increase in pre-tax profits in the first nine months, but earnings growth slowed markedly in the third quarter and the result was below average market expectations for the first time in many quarters.

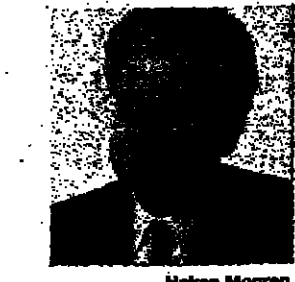
Nevertheless, investors appeared reassured by Astra's explanation that the faltering in its recent spectacular growth was mainly because of technical factors linked to changes in its accounting of sales and profits from its top-selling, anti-ulcer drug, Losec. The most-traded Astra A share recovered after an initial fall to close in Stockholm at SKr239, up SKr2.50. Shares in Glaxo Wellcome, which markets Losec's main competitor, Zantac, rose 15p to 887p in London.



Astra's pre-tax profits in the first nine months rose from SKr7.2bn (\$1.07bn) to SKr9.12bn, but fell just short of the expected SKr9.3bn, on group sales ahead 33 per cent from SKr20bn to SKr26.7bn. In the third quarter, pre-tax profits were up just 3 per cent, from SKr2.7bn to SKr2.79bn, on



a 28 per cent rise in sales from SKr6.7bn to SKr8.5bn. Operating profits in the third quarter fell by 2 per cent from SKr2.53bn to SKr2.5bn. Astra attributed the slowdown to the effects of a shift this year in its marketing of Losec in the US, from a licensing agreement with the US



Hakan Mogren
Astra's chief executive

company Merck to a joint venture between the companies, called Astra Merck. Since late last year, Astra has moved from receiving licensing income on an annual basis to receiving its 50 per cent share of Astra Merck profits on an on-going basis. Astra said this meant profits in the

first half were overstated by 18 per cent, while profits in the third quarter were understated by 17 per cent.

Astra has long warned of this - and that sales would rise faster than earnings, also as a result of the new arrangement in the US.

Direct sales by Astra of Losec, one of the world's biggest selling drugs, rose 66 per cent from SKr6.9bn to SKr11.4bn - although the increase for comparable units was 21 per cent. Combined sales of Losec, including Astra Merck's, rose from SKr12.9bn to SKr15.5bn, up 20 per cent. It said underlying sales by Astra Merck were up 45 per cent.

Among Astra's other main drug lines, sales of the anti-asthma treatment Pulmicort rose 20 per cent from SKr2.7bn to SKr3.2bn. Pulmicort is a big seller in Europe and its approval from the US and Japanese authorities is awaited.

SBC says net profit is 'well ahead'

By Ian Rodger
in Zurich

Swiss Bank Corporation, Switzerland's third largest bank, said it expected 1995 net income to be substantially higher than the SFR811m (\$712.65m) it earned in 1994. The bank, which also announced important boardroom changes yesterday, said that net profit in the third quarter and the first nine months was "well ahead" of the results in the comparative periods of last year.

As is customary among Swiss banks at the nine-month stage, no figures were given. The positive statement came after the Swiss stock market had closed, but it was widely expected. Mr Georges Blum, chief executive and designated chairman, said last month that the trend of the first half, when SBC net income rose 23.3 per cent to SFR40m, had continued in the third quarter. The bank said: "Thanks to the successful repositioning of the group and rigorous cost management, Swiss Bank Corporation is confident that results for the full year will be substantially better than in 1994, even though provisioning needs will be higher than originally anticipated due to the economic situation."

The third-quarter figures included a first-time contribution from the UK investment bank, S.G. Warburg, acquired in June for 2650m (\$1.36bn). SBC said the integration of Warburg had progressed rapidly in the past three months, bringing additional market share and revenue. The group's two divisions - domestic and SBC Warburg - contributed equally to the third-quarter growth in net operating income, improving the bank's earnings structure.

It said that approximately 40 per cent of net operating income came from commissions compared with about a third at the halfway stage. Growth in brokerage, syndacating and placing fees was particularly strong, and trading made good progress.

The slightly positive trend of net interest income in the first half continued, despite the loss in revenues required to finance acquisitions. Lending spreads developed satisfactorily in the domestic business.

Administration expenses were unexpectedly higher due to the integration of Warburg and other acquisitions, while personnel costs were up due to performance-related schemes.

Provisions were higher because of lower recoveries from exposures already written off and a renewed increase in loan loss reserves. Changing of the Guard. Page 13

Surge in demand behind 43.8% advance at Bayer

By Jenny Luesby
in Leverkusen

The surge in demand and prices for chemicals over the past year has seen Bayer, the German chemicals company, move "a good deal closer" to its desired level of profitability, the group said yesterday. But it now looks unlikely to reach its goal of a 10 per cent return on sales in 1995.

Unveiling a 43.8 per cent increase in pre-tax profit for the third quarter, to DM99m (\$641m), on sales up 2.4 per cent at DM10.84bn, Mr Manfred Schneider, chairman, said the gains from the recent upturn in the industry were still being felt.

For the first nine months, the group had achieved a pre-tax margin of 9.7 per cent, compared with 7.3 per cent last year. It remained hopeful that it would beat its previous record for annual pre-tax profits of DM4.11bn set in 1989.

However, the adverse currency movements that had curbed growth in the first half had given way in the second to stagnant and even declining demand. Prices, which rose 3 per cent in the first half, were static in the third quarter and were now declining, he said.

With fewer commodity chemicals in its range, Bayer was less sensitive to this "cooling in the economic climate" than its main competitors in Germany, Hoechst and BASF. But the group was less optimistic about next year than it had been.

The strongest growth this year came from the polymers and industrial chemicals divi-

sion, where sales rose 12 per cent and 7 per cent respectively, but demand for these was now "tailing off".

Meanwhile, all the group's businesses had been held back by currency movements, which had translated a 10 per cent increase in foreign sales in local currencies, to a rise of just 2 per cent in D-Mark terms.

In North America, sales rose 11 per cent in local currency in the first nine months, but fell 4 per cent when converted into D-Marks. "Had exchange rates remained stable," Mr Schneider said, "our earnings would have been some DM500m higher."

The group had also been held back by continuing difficulties in its fibres business, and a poor performance at Agfa. Fibres was now the group's only loss-making business, but it had seen further deterioration this year caused by rising raw materials costs and aggressive competition.

The group was also in talks on the disposal of its titanium dioxide business. A proposed deal with Du Pont of the US had fallen through at the last minute. Mr Schneider said, due to concern about the high cost of production in Europe at current exchange rates.

A recurrent problem for the group was German labour costs, he said. Wages still accounted for 81 per cent of sales revenues, in spite of heavy job cuts.

Hoechst, which is pursuing a more radical rationalisation, has cut its wage ratio to 29 per cent in Germany and to 26 per cent for the group as a whole.

Czech funds battle heats up

By Vincent Boland in Prague

A takeover battle surrounding the Czech Republic's big investment funds intensified yesterday after one of the country's main banks said it was behind an attempt to wrest control of the funds from more established competitors.

Agrobanka, the largest of the new banks created by private investors in the past four years, said it had financed a series of stock market raids by Pzemska Banka, a smaller bank trying to wrest control of at least six funds that own important stakes in privatised Czech companies.

Pzemska has spent at least \$30m buying stakes in the six funds in the past month. It has already gained control of three smaller funds in this way and taken over as fund manager. Its buying spree has caused consternation among large fund managers, which have

been frantically buying shares in their own funds to head off attempts to unseat them.

The targets include funds run by institutions such as Komerční Banka, Československá Obchodní Banka, Creditanstalt and Zivnostenská Banka.

Agrobanka is the fifth largest Czech bank by assets. Its involvement means the other banks, which dominate the fund management business, could be in for a long fight to retain control of their operations.

The funds were set up to invest in the vouchers-for-shares privatisation programme. They own hundreds of millions of dollars' worth of shares across the Czech industry. Agrobanka's biggest shareholder is IPI, the third largest Czech bank. IPI is also a significant player in the fund management business. Its funds have not been targets. The established fund man-

agers have been caught entirely off-guard by the stock market raids. To protect its own position Komerční bought back a block acquired in its fund by a stockbroking firm acting with Pzemska in the market raids.

The firm, Motolinvest, reportedly netted a profit of at least Kč200m (\$7.6m) from that transaction, leading to charges that the share-buying is motivated by "greed".

Critics of existing fund managers, however, have said that if funds were more actively managed their shares would be more expensive and less attractive to raiders.

Pzemska is under investigation by the Czech National Bank for possible breaches of banking rules in buying the shares. A bank is not allowed to own more than 10 per cent of a fund. Pzemska claimed last week it owned "between 10 per cent and 50 per cent" of some of its targets.

Avesta Sheffield improves

By Hugh Carnegie
in Stockholm

Avesta Sheffield, the Anglo-Swedish specialist steel maker, yesterday reported a leap in pre-tax profits in the first nine months of the year from SKr565m to SKr9.45bn (\$515.35m). But it warned it would curb production in the fourth quarter to meet a fall in orders for cold-rolled flat steel, its biggest product.

Avesta, whose headquarters is in Sweden, became a subsidiary of British Steel at the end of September when the UK company increased its shareholding to 51 per cent.

The company was founded in 1922 through a merger of the Swedish group Avesta with the

stainless steel interests of British Steel.

It swung into profit last year and earnings have risen fast, this year on strong worldwide demand for steel products. The nine-month surplus was ahead of market expectations and was built on a 40 per cent increase in group sales from SKr12.3bn last time to SKr17.2bn.

A trend of sharply rising profits over the previous six quarters was interrupted, however, in the third quarter, as pre-tax profits of SKr1bn were below those in the first two quarters - although more than double the surplus of SKr427m in the third quarter last year.

Avesta said deliveries of cold-rolled products had grown

at a much faster rate than the 7 per cent increase in end-use demand in Europe, indicating significant amounts of production had gone into stock-building. This had led to a sharp fall in orders for the fourth quarter and downward pressure on prices.

The company said a similar development had occurred in the US and Asia, with price rises in the first half in these markets being followed by small cuts in the third quarter.

Avesta was accordingly curbing production, but said it believed the fall in demand was temporary. It said demand for other products such as hot-rolled plate and long products, in which it also has a strong position, remained strong.

SKF gets the wheels moving in Eastern Europe.

DURING THE SUMMER, SKF acquired 80% of the Polish bearing company FLT Poznan. This acquisition considerably increases SKF's market share in Poland.

During the coming year an investment of 100 million Swedish kronor will be made to ensure that the factory meets SKF Group standards.

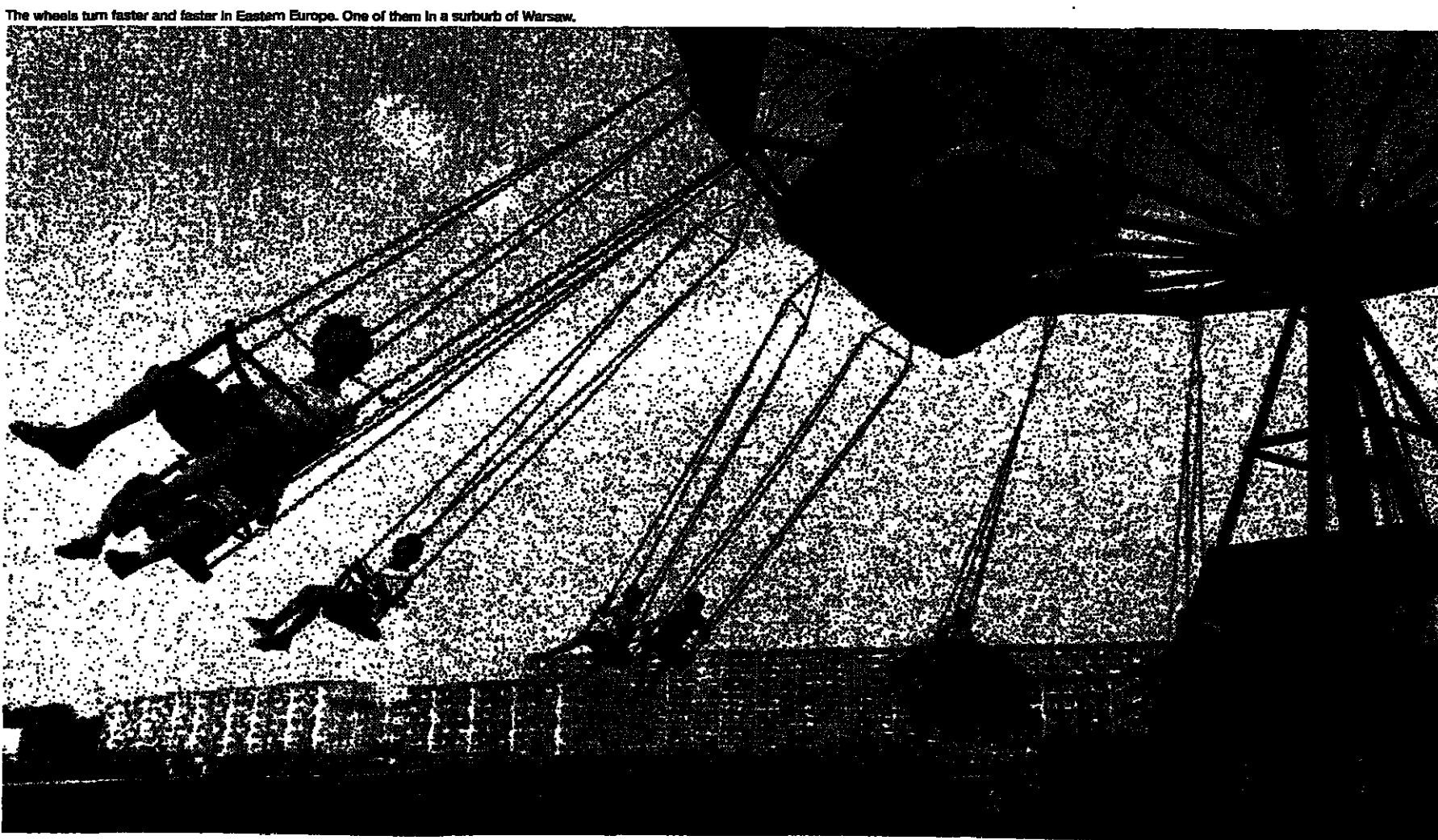
Since the opening up of east-west relations, SKF has expanded its sales organisation and strengthened its presence in the East European market by setting up new companies in Poland, Bulgaria, Russia, Slovenia, Croatia, Macedonia, Slovakia, Latvia and Albania, at the same time establishing representation in Romania. SKF companies have operated in Hungary and the Czech Republic for some years. SKF's strategy is to expand in the region. Many of SKF's customers have invested in Poland during the past few years. Through the acquisition of the new factory, SKF is ensuring local bearing supplies to this important market.

RESULTS

SKF's consolidated income after financial income and expenses for the first nine months of 1995 amounted to SEK 2 586 M. (1 141). Group sales increased by 1.4 per cent to SEK 28 177 M (24 631). The volume increase was slightly more than 10 per cent. Income for the third quarter totalled SEK 720 M (324) and sales amounted to SEK 8 690 M (8 003).

SALES

Despite a general weakening of the market, SKF's sales to the North American automotive industry developed favourably. This was attributable to the increase in market share achieved by SKF in supplying bearings for new car models. During the third quarter, production began at the Group's second U.S. channel for wheel bearing units. A decision was also taken regarding investment in a third channel, to satisfy increasing demand.



The machinery segment remained strong in Europe and the U.S. with a positive trend noted for both heavy and general machinery. Demand was particularly strong for precision bearings.

The SKF Group reported operating income for the first nine months of the year of SEK 3 065 M (1 673) after depreciation. Net financial items amounted to SEK -479 M (-532) for the January-September period and SEK -124 M (-200) for the third

quarter. Earnings per share after tax were SEK 14.70 (6.50). Capital expenditures in property, plant and equipment totalled SEK 1 599 M (813). At the end of September, the Group's inventories totalled 23.4 percent (26.0) of annual sales. The return on capital employed was 18.4 percent (10.1) and the return on shareholders' equity was 27.4 percent (8.0). Group solvency was 32.0 percent (28.2).

FORECAST

Group volumes during 1995 are expected to increase by approximately 10 percent. The price trend is as expected and will be better than in the preceding year.

AVERAGE RATE OF EXCHANGE

JAN-SEPT 1995: 1 GBP = 11.57 SEK.
JAN-SEPT 1994: 1 GBP = 11.83 SEK.

SKF
We reduce friction
to help you move the world forward.

سكف من العراق

INTERNATIONAL COMPANIES AND FINANCE

French aluminium and packaging group has moved ahead of rivals but there are pitfalls before the privatisation finish line

Pechiney moves stealthily in race against sell-off clock



EQUITY OFFERINGS

Pechiney shareholders gathered in Paris on Monday to approve plans for privatisation and prepare the ground for a launch of the operation as early as the end of the month. But while the meeting at the French aluminium and packaging group nodded through technical details, a smooth sale is far from a formality.

Mr Jean-Pierre Rodier, who took over as chairman last summer, has made substantial progress in preparing the group for sale. He has implemented a clear strategy of concentrating on the two core businesses, shedding assets worth a net FF10bn (\$2bn), and returned his charge to profit.

In so doing, the Pechiney chief has pushed the company ahead of Renault and other rivals to pole position in the conservative government's privatisation programme. But between the launch of the issue and the finish line, there are several challenges and complications.

The most immediate concern the structure of the privatisation issue. The first task, approved on Monday, is to

implement an exchange offer for the company's existing investment certificates - which represent about 25 per cent of the capital. This step may be followed by a merger between the parent company and Pechiney International, the quoted packaging arm which is 67 per cent owned by the group.

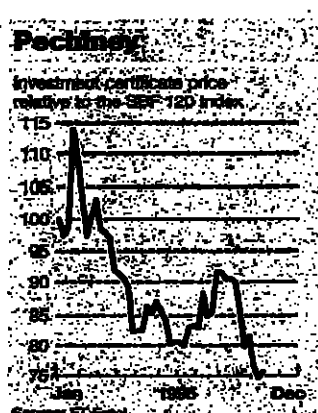
"It would be easier to offer investors a single entity, which points to a buy-out of minority holders in Pechiney International. But there are also attractions for investors in a straight packaging or aluminium play," one merchant banker says.

"On top of that you have the question of a capital increase," he says, referring to Pechiney's desire to use privatisation to ease the pressure of its FF15bn debt burden.

Beyond such technical questions lie broader challenges. Investors in France and abroad will need some convincing following the lacklustre performance of previous French privatisation issues and the Paris stock market.

With the exception of Seita, the tobacco monopoly, the state assets dispatched to the private sector over the past two years have struggled on the stock market.

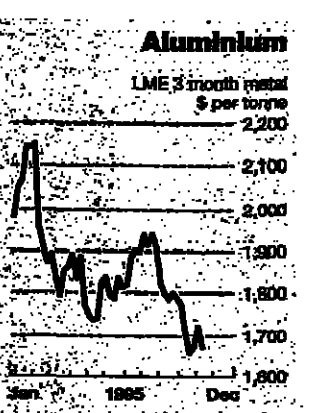
The most recent, Usinor



Sacilor, the steel company, has seen its shares fall to about FF72, compared with a price of FF86 at which they were offered to investors in the summer.

The CAC-40 index of leading shares has rallied over the past week in anticipation of interest rate cuts, but is still about 3 per cent below its level at the beginning of year.

The aluminium market, crucial to Pechiney's fortunes, has lost its shine. A slowing in demand over recent months has pushed prices below \$1,700 a tonne. This compares with levels of about \$2,200 at the beginning of the year after a sustained rally and a 1994 agreement by the principal



international aluminium producers to limit output.

The downturn in the aluminium cycle has increased pressure on the French government and Pechiney to prepare for privatisation. "There has been a race against the clock," one metals analyst at a Paris merchant bank says. However, in some respects, the company may have been in too much of a hurry.

Last month, the Commission des Opérations de Bourse (Cob), the French stock market watchdog, claimed Pechiney had breached national accounting rules in the presentation of its half-year results. By not including FF700m of capital losses on the sale of two sub-

sidaries, the company reported a net profit of FF658m for the period, rather than a small loss, the Cob said. Pechiney responded that its accounts were in line with US accounting standards and that it was offsetting the capital losses against anticipated gains from the sale of Howmet, the US turbine manufacturer. This sale, completed last month, brought a profit of about FF1bn.

The Cob warning riled some in the investment community, but few saw it as more than a blip in the company's preparations for privatisation. "The general feeling is that Mr Rodier has performed a smooth operation in getting Pechiney in shape," one packaging analyst says, referring to asset sales and restructuring measures.

"Pechiney is in a positive cycle... it is a company where the chairman has set out a dynamic strategy," claimed Mr Yves Galland, French industry minister before the reshuffle.

The strategy is aimed at building on its core businesses - aluminium, where it Europe's biggest producer, and its packaging operations. Investments are to be tightly focused to curb debts, but it will aim to strengthen Pechiney's presence in fast-growing

businesses such as aluminium drinking cans outside of the US, flexible packaging, tubes and cosmetics containers. In pursuit of its goals, the company has set up a joint venture can manufacturing operation in Mexico and is opening a plant in Brazil.

After previous policy detours, such as a failed initiative to tie up with CNR, the French electricity producer, most analysts have welcomed Mr Rodier's objectives. But whether his plans translate into a smooth privatisation will depend partly on strategic investment considerations and, more importantly, on price.

On the first count, industrial and financial partners are preparing to cement their ties with Pechiney by taking an equity stake. For example, Electricité de France, the state utility, appears ready to take a stake in its biggest customer.

Investment institutions and the public will be more concerned with price. The government has yet to give any indications about its valuations. But the fall in Pechiney's investment certificates this year, from almost FF400 to below FF270, will make it difficult for the government to achieve the estimate of



Jean-Pierre Rodier: devised strategy to prepare group for sale

FF700-FF850m that Mr Rodier placed on its 56 per cent stake earlier this year.

The government is eager to maximise revenues from the operation and, as Mr Galland says, "we will not privatise at whatever price". But it is aware of the need to restore momentum to France's privatisation campaign.

With Renault waiting in the wings, and with more difficult sales, such as Air France and Crédit Lyonnais still to come, the conservative administration is under pressure to ensure that Pechiney moves smoothly into private sector hands.

John Ridding

Frankfurt regime 'flaws' attacked by overseas banks

By Andrew Fisher in Frankfurt

Foreign banks in Frankfurt still see notable weaknesses in Germany's main financial centre, in spite of the progress made in recent years to improve its efficiency. Landeszentralbank in Hessen (the regional central bank for the state of Hesse) said yesterday.

These included general problems such as high income tax, above-average staff costs and inflexible employment legislation. But banks also criticised the Bundesbank's minimum reserve requirements - in spite of large reductions in the past three years - for inhibiting money market operations.

In a special report, the bank said foreign banks criticised the fact that "the authorities' understanding of the needs of a financial centre is sometimes not as sympathetic as in other major financial markets".

One example concerned the introduction of two European Union directives - on large exposures and capital adequacy. The first comes into effect next January, while the second is likely to be delayed until mid-1996. In the interim, banks will have to lower the large exposures in their trading business or raise their equity considerably.

Although the burden would be eased when the second directive comes into effect, many business transactions could in the meantime be

transferred to other European countries where both directives would be introduced together. "Foreign banks are of the opinion that a measure originally intended to promote harmonisation in Europe may... cause a competitive disadvantage for the local financial centre."

Landeszentralbank in Hessen said the 135 foreign banks accounted for more than 10 per cent of total business volume of all banks in the city. But balance sheet figures understated their role, because off-balance sheet operations (such as interest and currency swaps, currency forwards and forward rate agreements) represented an above average portion of their activities.

The report said off-balance sheet activities of foreign banks were eight times greater than business volume; among domestic banks, these were 24 times greater. Foreign banks had "a remarkable 27 per cent" share in off-balance sheet business. German banks had also stepped up off-balance sheet business by 50 per cent in the past 18 months.

On the lending side, foreign banks had a 5.5 per cent share of total Frankfurt-based business. International lending played a relatively larger role than at domestic banks. "Apparently, they [foreign banks] still find it difficult to gain access to the domestic lending market."

MAN reports 14% increase in orders

By Wolfgang Münchau in Munich

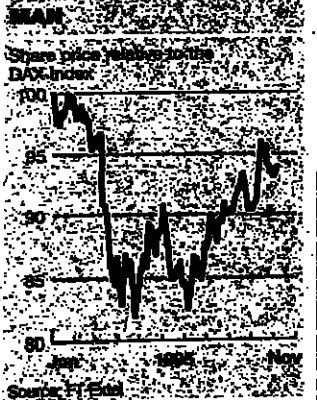
MAN, the German truck, printing and plant construction company, continued to build on its previously strong results by posting a 14 per cent increase in orders and 9 per cent rise in sales during the first quarter of its 1995-96 financial year.

The company's first-quarter figures for July to September, however, underline concerns about demand in Germany, where orders fell by 6 per cent compared with the same period in 1994. Outside Germany, however, orders grew 26 per cent.

The company, which is best known for its MAN range of trucks and Roland printing machines, also gave further details of its results for 1994-95 - headline figures were released in August - during which MAN rebounded strongly with a rise in net profits from DM160m to DM272m (\$192m). Along with the profits increase, the dividend was also raised, from DM7 to DM9.5 a share.

The driving force behind the performance was the company's core business of MAN trucks, which achieved a net profit of DM157m in 1994-95, after a DM98m loss in 1993-94. MAN Roland, the printing machine manufacturer, lost DM146m, DM52m less than in the previous year.

Mr Klaus Götte, chairman, said yesterday that at MAN Roland he expected that "the



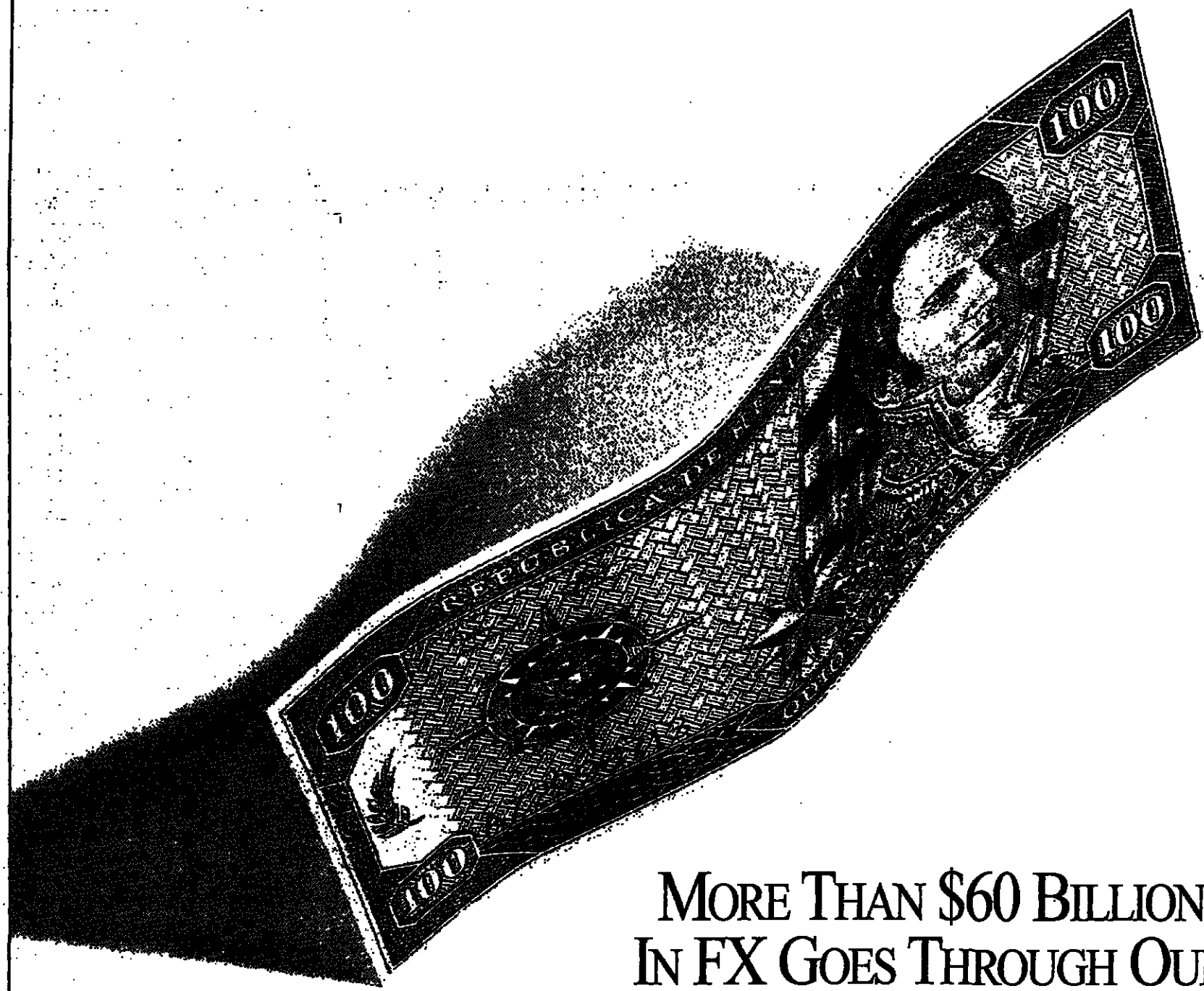
phase of high losses, which has lasted for several years", was "concluded". He said that with its new range of printing machines, the division would show an "accelerated recovery" this year.

MAN Gutahoffnungshütte, the Ruhr machine and plant construction company, made a marginal profit, while MAN B&W Diesel, the engine manufacturer, gained DM98m.

Like many other German companies, MAN was hit by the D-Mark's strength which drove down profits by DM50m. Mr Götte, who will retire as chairman by the end of next year, outlined a conservative strategy emphasising further consolidation.

Return on equity went up from 4.4 per cent to 7.3 per cent. Mr Götte said: "After the difficult recession years we can be content with this increase, but we do not intend to stop at this level."

©1995 BankAmerica Corporation



MORE THAN \$60 BILLION
IN FX GOES THROUGH OUR
HANDS EACH DAY

(Yet Nothing Slips Through Our Fingers)

We approach foreign exchange as a relationship business. So it is not the sheer volume of transactions which run through our worldwide trading rooms which sets us apart. It is the importance we place on each one.

BA Bank of America

INTERNATIONAL COMPANIES AND FINANCE

Setback for Sony plan on disc standards

By Michio Nakamoto in Tokyo

Sony, the Japanese consumer electronics company, has suffered another setback in its attempt to make its mark on an industry standard for next generation audio-visual discs.

Sony, which together with Philips of the Netherlands has brought the world the CD, has made 11 new technical proposals concerning the recently agreed standard for digital video discs (DVDs), only to see them rejected by members of an industry alliance.

In September, Sony and Philips agreed to drop their standard for DVDs and accept a competing one proposed by an industry alliance led by Toshiba, the Japanese electronics maker.

The Sony camp then accepted the Toshiba group's standard on condition that one significant change be made to incorporate a Sony format for signal modulation.

Agreement by the Toshiba side to that change led to a basic agreement in the industry to adopt a uniform standard for DVDs.

However, Sony has since made 11 further technical proposals to the Toshiba camp. It has also insisted on giving the new discs a name based on the CD, to indicate that they are an extension of the CD.

Toshiba said yesterday it had evaluated Sony's 11 technical proposals carefully with other members of the industry alliance and decided that none could be adopted.

"Our basic policy is to adopt technology if it is good enough," a Toshiba representative said. But in the case of Sony's new proposals "we have decided not to adopt any of them".

Meanwhile, Toshiba said the PC industry had asked specifically to give the new discs a name that will clearly differentiate them from CDs.

Sony said yesterday it was not aware of the Toshiba camp's decision on its proposals or the naming of the new discs.

Sony's highly publicised decision to accept the Toshiba group's standard in principle would seem to give it little alternative but to go along with the latest rejection of its new technical proposals.

Toshiba has developed a prototype DVD read-only memory drive, the next-generation optical disk drive for computers, and will launch the new equipment in late 1996, Reuters reports from Tokyo.

The new drive is based on the standard proposed by Toshiba and six other electronics makers for DVDs.

Electricity sell-off prices give state a warm glow

The government in Victoria is getting more than expected from the privatisation of its distribution companies

To sell one asset for more than an informed market expects might be described as luck. To do so a second time could be described as good fortune. But when it happens a third time, it certainly raises some questions.

The prices which the state government in Victoria has been obtaining for its electricity distribution companies have surprised most pundits.

The first, United Energy, was bought by a consortium made up of Australian institutions and Kansas City-based Utility Corp for A\$1.55bn (US\$1.2bn), or almost 13 times 1994-95 pre-interest earnings.

The second, Solaris, was sold to a 50-50 partnership between Australian Gas Light (AGL) and a subsidiary of New Jersey-based General Public Utilities for A\$950m. This represented a historic earnings multiple of 18 times (again pre-interest).

The third transaction, an outright buy by Texas Utilities, was announced on Sunday. The price was A\$2.06bn, and the multiple 14.7 times. Even in the light of the two earlier transactions, most industry-watchers had put the upper

limit for Eastern at between A\$1.5bn and A\$2bn.

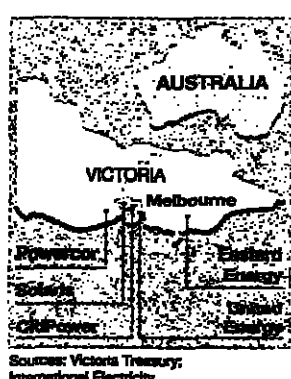
All this is good news for the state government. The more money received, the quicker it can pay down the A\$30bn debt burden left by the previous Labor administration.

Yesterday, the Treasury Corporation of Victoria said that following the Eastern sale, it was anticipating a net debt repayment of A\$4.25bn in 1996-97.

In addition, the smooth sales procedure and the top-dollar receipts have helped defuse some of the political debate surrounding the electricity industry privatisation. The Victorian government's aim is to move the entire sector into private hands, with the sale of the distribution companies as a first step.

However, this is an unprecedented exercise in Australia, and interest groups - from consumers to unions - which support public-sector ownership have been vocal in their criticism.

"Jeff Kennett [Victoria's state premier] must be feeling pretty happy," commented one Sydney-based analyst, after the Eastern announcement.



Source: Victoria Treasury International Electricity

So why have the prices been higher than anticipated?

Some pundits concede they may have underestimated scope for cost savings. Under the restructured Victorian electricity scheme, initial connection and usage charges have been fixed by the government to give a "fair" private-sector return on capital. The rate at which distribution prices can change, up until a review by the industry regulator in 2000, has also been pre-determined.

However, if productivity savings are achieved above a base level, the distribution companies benefit.

Victoria: the five electricity distribution boards

ASX Pro forma 1993/94	Powercor	Solaris	CUPower	United Energy	Eastern Energy
Total assets	996	850	800	1,106	886
Sales					
Industrial	227	107	53	167	114
Commercial	186	106	516	187	198
Domestic	289	122	112	303	267
Other	17	10	19	17	14
Total	699	347	700	664	593
Customers	528,080	253,240	230,822	514,714	457,937
Employees	1,500	597	1,023	1,111	1,388
Line length (km)	108,000	4,000	4,000	18,000	55,000

The AMP Society, one of the institutional investors in the successful United Energy consortium, points out that "the main value drivers of the business are productivity improvements with respect to labour and capital expenditure, and management of the network charge reset as at 2000".

In United's case, for example, the buyers anticipate that jobs could be cut by more than a third by 2000, despite a build-up in marketing staff as competition for customers intensifies.

Most customers within a franchise area are tied to their

existing distribution company, but this will change progressively over the next five years. By 2000, all customers, including residential users, will be "contestable".

Some reduction in energy purchasing costs, as competition between generators increases and a National Grid gets under way, is also possible. Assuming the regulator allows about 40 per cent of productivity gains to be retained by United when network charges are reset in 2000, the AMP thinks it could be looking at an internal rate of return of more than 15 per cent a

year over the next decade.

A second reason for the generous sale prices is "strategic positioning". While Victoria is leading the way in terms of electricity privatisation, Australia's entire energy sector is in a state of flux and other states are reorganising their assets.

Australian Gas Light's 50 per cent equity interest in Solaris, acquired for A\$145m, is a case in point. AGL is a big distributor of natural gas, with a customer base in New South Wales and the Australian Capital Territory, and the country's largest operator of natural gas transmission pipelines.

But the listed company has made clear it would welcome the opportunity to expand into other states. A stake in the Victorian electricity market could position it to take an interest in the state's gas market whenever it is deregulated. And last week it raised the possibility of Solaris becoming involved in gas-fired power generation - in effect producing its own electricity.

Or take Westfarmers, the Perth-based rural products group which was one of the potential buyers of the Eastern

business, before dropping out in the final bidding round. "It'll give them practice for the Western Australian assets, when they come along," says one analyst wryly.

A third factor behind the higher-than-expected prices is some fortuitous timing. The Victorian sales have dovetailed with deregulation of the US energy industry - dating from the 1982 Energy Policy Act - and the scramble by some US utilities to achieve scale by expanding overseas. "I haven't quite expected the depth of [the US utilities'] pockets," concedes one analyst.

The question, though, is whether the momentum will be maintained. Most observers are increasingly confident about the short-term prospects: the two remaining distribution companies are set to be sold before Christmas, and competition for the larger Powercor, at least, is thought to be fairly intense.

After that, the game will change slightly as attention switches to the generators, with Yallourn likely to be the first disposal.

Nikki Tait

Nippon Steel improves despite sluggish sales

By Michio Nakamoto

Nippon Steel, Japan's largest steel maker, yesterday reported an improvement in its first-half performance in spite of stagnant sales in a sluggish domestic market, but warned that prospects in the second half remained uncertain.

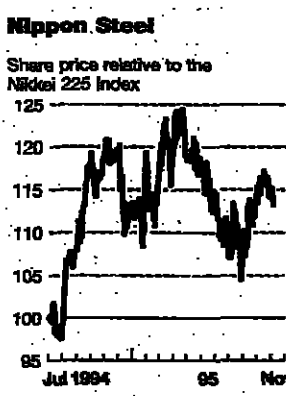
The improvement in the parent company results was mainly due to cost-cutting measures. It was also helped by a recovery in export prices.

Nippon Steel posted first-half recurring profits - before tax and extraordinary items - of ¥29.4bn (\$286m), compared with a loss of ¥28bn in the same period last year, even though sales were flat at ¥972.5bn, against ¥968.5bn.

It is, however, forecasting a decline in sales in the full year for the fourth year running. Sales in the year to March are expected to drop to ¥2,070bn from ¥2,050bn previously.

Although the first-half results were an improvement on the same period last year, they did not match those of the second half of last year.

Sales in the first half of this year were 13 per cent below the level in the second half of last year, while recurring



Source: FT East

profits were nearly ¥10bn lower.

Nippon Steel said that it had been able to save about ¥8bn through cost-cutting measures in the first half and that tight international markets had enabled it to raise some of its export prices.

However, these benefits were more than wiped out by the rise of the yen, an average 10 per cent increase in raw materials costs and a slump in engineering sales in the first six months of the year.

Together these factors reduced recurring profits by ¥18bn. In the domestic market, while vehicle sales had

improved, the increase in steel demand from that sector was not as strong as hoped. Meanwhile, demand from the housing industry and from the reconstruction of Kobe, the city in western Japan which was hit by a large earthquake earlier this year, had not met expectations, Nippon Steel said.

In overseas markets, firm demand in leading regions had supported price rises, although these were not sufficient to counter the effects of the high yen.

Nippon Steel does not expect a significant recovery in the domestic economy in the second half.

It is therefore forecasting a "drastic reduction in production", as it adjusts inventories to meet market needs.

The company warned that the sluggish domestic environment, coupled with high inventory levels for some products, could lead to price falls which would adversely affect second-half results.

At the same time, a slowdown in world markets is expected to result in pressure on prices as global competition intensifies, Nippon Steel said.

Gencor sells four mines to Randgold

By Philip Gawth in Johannesburg

Gencor, the South Africa-based natural resources group, yesterday announced a partial retreat from its involvement in the local gold mining industry with the sale of four of its mines to Randgold. The deal is worth R150m (\$41.2m).

The sale reflects the decline of the local gold mining industry, which for more than a century has been the flywheel of the country's economy. None of South Africa's mining houses has ever disposed of gold mines in this fashion.

The deal involves Randgold buying Gencor's 15 per cent stake in Grootvlei, its 10 per cent stake in Stilfontein, a 9 per cent stake in Buffelsfontein, and 25 per cent of Unisel (Gengold will keep a 15 per cent stake).

Gengold will also sell all of its management contracts, through which the mining house provides services to the individual mines, in return for a steady flow of fees.

Mr Tom Dale, managing director of Gengold, the group's gold arm, said the sales were part of a trend towards rationalisation of mineral

rights in the industry. For Gencor, they represented "the sale of non-core assets... in order to facilitate business focus".

He also announced that the investment focus of the South African gold portfolio would in future be on the mines in the Evander and southern Free state areas.

The sale is part of the restructuring of Gencor's gold assets, whose performance sunk to a historic low in the September quarter. The group announced in July it was separating local and offshore gold assets, and would restructure management and operations.

The initiative for the sales came from Randgold, which wanted to acquire Grootvlei and Unisel to improve the prospects of two of its existing mines, ERPM and Harmony.

The other two mines, both close to the end of their lives, came as part of a package deal.

Mr Dale said that if the transaction had been effective during Gengold's 1995 financial year, the group's average cost of producing a kilogram of gold would have been R31,957, instead of R35,013. Managed gold output would have been 41.1 tonnes, instead of 58.4 tonnes.

Sharp declines hit leading Thai brokers

By Ted Bardsack in Bangkok

General Finance & Securities and Nava Finance & Securities, two of Thailand's largest brokerage houses, reported steep declines in net profit for the third quarter of 1995.

Although expected, the fall reflects an industry-wide trend of poor third-quarter results. Finance and securities companies are being hit on the securities side by low turnover on the Thai stock market, and on the finance side by increased funding costs.

General reported a 13 per

cent drop to Bt157m (\$7.41m), compared with the same period the previous year. Nine-month profits were down 16 per cent to Bt504m.

Nava saw its third-quarter profits fall 28 per cent to Bt239m from a year ago while nine-month profits were down 21 per cent to Bt562m.

Phatra Thanakit, the top brokerage firm, saw third-quarter profits increase 5 per cent over the same period a year ago, to Bt519m. However, nine-month profits were down 25 per cent to Bt1.5bn.

Neither General nor Nava

released complete financial statements, but analysts said the decline was due primarily to poor sentiment on the Thai stock market where turnover in the third quarter was down 38 per cent, compared with last year.

Up to October turnover at General declined 7.3 per cent, compared with last year, even though the company increased its overall market share from 3.1 per cent to 4 per cent in the same period.

Nava, with a client base dominated by domestic retail investors who have switched to

high interest bank deposits, was particularly hard hit. Turnover fell 44 per cent, while market share fell from 5.6 per cent to 4.3 per cent.

Bearish conditions in the stock market have limited opportunities for trading gains. Some analysts had expected such gains to be booked in the fourth quarter to help shore up full-year earnings, but such gains may now not exist. Barings Securities expects earnings per share growth for the sector to decline 30.8 per cent for the year, after an earlier estimate of a 10.3 per cent fall.

This announcement appears as a matter of record only and does not constitute an offer of securities in any jurisdiction



INDOVER BANK

N.V. De Indonesische Overzeese Bank

NLG. 250,000,000

Domestic NLG Medium Term Notes' Programme

Arranger/Dealer

N.V. De Indonesische Overzeese Bank

November 1995

INDOVER BANK
N.V. DE INDOONESISCHE OVERZEESE BANK
(THE INDOONESIA OVERSEAS BANK)

This announcement appears as a matter of record only and does not constitute an offer of securities in any jurisdiction



INDOVER BANK

N.V. De Indonesische Overzeese Bank

NLG. 500,000,000

Domestic NLG Certificates of Deposit

Arranger/Dealer

N.V. De Indonesische Overzeese Bank

November 1995

INDOVER BANK
N.V. DE INDOONESISCHE OVERZEESE BANK
(THE INDOONESIA OVERSEAS BANK)

FORMAL NOTICE FOR SECURITIES

Application has been made to the London Stock Exchange for the following securities to be admitted to the Official List.

SHARE DETAILS: Up to a maximum of 80,707,290 new B shares of nominal value SEK 2.50 (total nominal value SEK 201,768,225).

ISSUER: Telefonaktiebolaget L M Ericsson (Publ)

INCORPORATED IN: Kingdom of Sweden

LISTING AGENTS/SPONSORS: Enskilda Securities and Handelsbanken Markets

Particulars relating to the issue may be obtained during usual business hours for fourteen days from the date of this formal notice from:

Enskilda Securities, 2 Cannon Street, London EC4M 6NX. Tel: 0171 246 4000.

Copies of the particulars relating to the issue may also be obtained from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, LONDON EC2, for the two business days following the date of this formal notice.

8th November, 1995 **ERICSSON**

OFFSHORE COMPANIES

Established in 1978, OCSA has 20 offices world-wide, 750 ready-made companies available. For 100 page FREE colour brochure contact:

John D. Murphy, CA, 10000 Wilshire Blvd., Suite 1000, Beverly Hills, CA 90210, USA. Tel: +1 310 205 1000. Fax: +1 310 205 1010.

London: Richard C. Jones, 100, The Quadrant, London WC1N 3AA. Tel: +44 171 835 1000. Fax: +44 171 835 1010.

Hong Kong: Burt Decker, Ltd., 100, The Quadrant, London WC1N 3AA. Tel: +852 2520172. Fax: +852 2521158.

USA: Kevin Harbeck, Inc., 100, The Quadrant, London WC1N 3AA. Tel: +1 714 954 2344. Fax: +1 714 954 0987.

PROPERTY FINANCE SOURCEBOOK

WHY PAY EXPENSIVE FEES? WITH THIS BOOK YOU ARE THE EXPERT. CONTACT ESTATES GAZETTE ON 0171 411 3651

Signal

► Real-time U.S. & international quotes on over 90,000 issues
► As low as \$9/day. Call today: 44 + (0) 171 600 6101

KR KNIGHT-RIDDER'S FUTURES MARKET DATAPAK FOR ONLY \$695
► The best selling Futures Market Data Pak in the industry
► A full year's data on all 17 major futures contracts
► 100 charts and 100 price movement diagrams
► 100 pages of daily market news and analysis
► 100 pages of daily market news and analysis
► 100 pages of daily market news and analysis
► 100 pages of daily market news and analysis

A PRIME SITE FOR YOUR COMMERCIAL PROPERTY ADVERTISING
Advertise your property to 1 million FT readers in 160 countries. For details: Call Sophie Cantillon on +44 0171 873 3211 or Fax: +44 0171 873 3098

مكتبة الجليل

When the generation of new ideas is vital,
you're in safe hands with UBS.



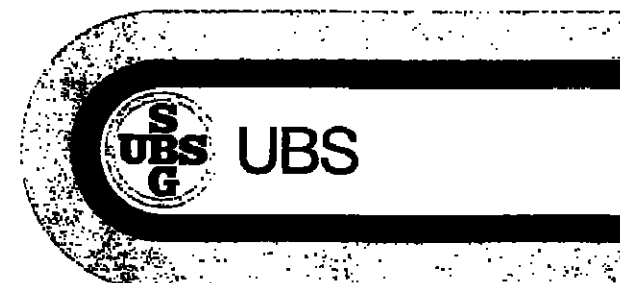
When sophisticated financing needs the power of innovation, UBS delivers.

- As advisors to the Commonwealth of Australia, we're providing state of the art risk management modelling techniques to key Treasury decision makers.
- We have also won the mandate to advise on and underwrite the first European Sovereign securitisation for the Irish Government's National Treasury Management Agency.

These are just two of our most recent public appointments which indicate the depth and strength of resource at UBS.

Imagination. Sophistication. The power to drive the deal through.

The world's most demanding clients know they're in safe hands with UBS.



INTERNATIONAL COMPANIES AND FINANCE

Turner Broadcasting doubles to \$40m in third term

By Maggie Urry in New York

Turner Broadcasting System, Mr Ted Turner's cable television group which is currently finalising a \$7.5bn merger with Time Warner, reported a doubling of net income before one-off charges in the third quarter, from \$20m to \$40m. Earnings per share were up from 7 cents to 14 cents.

Cash flow rose by a third to \$168m.

For the first nine months, net income was up from \$20m to \$33m, before the one-off charge of \$25m taken in the third quarter of 1994 relating to the early repayment of debt. Earnings per share were up from 7 cents to 28 cents and cash flow was ahead from \$192m to \$330m.

In the third quarter revenues rose 36 per cent to \$1bn, buoyed by a \$199m increase in syndication revenues mainly because of the success of the *Seinfeld* comedy programme.

However, a rise in operating profits from the entertainment networks, from \$51.1m to \$70m, was largely offset by a swing from a profit of \$4.76m to a

deficit of \$11.3m from production and distribution. The group suffered losses on domestic production and lower than expected profits from films released internationally.

In the news division, which includes the Cable News Network channel, revenues rose from \$164m to \$177m and operating profits were ahead from \$52.6m to \$58.8m. Both sub-

scription and advertising revenues rose, and the increase in costs was held below the gain in revenues.

The Atlanta Braves, the group's baseball team which won the World Series in October, cut its third-quarter operating loss by \$13m. The quarter compares with the period of the national baseball strike in 1994.

The Braves played 20 more games in the 1995 third quarter over the comparable period, mainly contributing to a \$30m increase in revenues from \$37.8m to \$67.8m from "other" activities.

However, higher central costs meant that the loss from other activities fell by a lesser \$5.7m, from \$21.4m to \$15.7m.

News Corp-TCI sports TV venture reaches first base

The self-proclaimed "dream team" in international sports television, being put together by News Corporation and Tele-Communications Inc., has gained extra substance with a deal giving the duo a large slice of the TV rights to major league baseball games for the next five years.

ESPN, currently the leading sports TV company in the US and international markets, and the NBC network will also air

games under the terms of a complex \$1.7bn package announced on Monday.

"We have become a 52-week a year sports network," said a relieved Mr David Hill, president of News Corp's Fox Sports, who was last week named as head of the joint venture with TCI.

Considering that Fox was in effect a no-sports network until two years ago, when it cheekily swiped NFL American football broadcasting rights from

CBS, his breathless air was perhaps excusable.

National (Ice) Hockey League coverage has been taken on in the interim, and now comprehensive baseball coverage will start at the end of the summer holidays next year, according to Mr Hill. The hiatus would "give us a chance to get our shorts straight".

However, the prospect of Mr Hill being allowed the luxury of time to adjust his clothing appear to be slender. He is

likely to have his work cut out meeting his leaders' goal of building a sports business to rival or outstrip ESPN, especially in the growing international market.

Some analysts say ESPN, which was one of the plums that encouraged Walt Disney chief Mr Michael Eisner to bid for the Capital Cities/ABC group (which owns 80 per cent of ESPN), is too well-established. They say Disney's plans to pipe tempting blends of sports and its traditional children's and family programming into every available home and foreign market will leave little room for others, especially relative newcomers.

Sports television is the vital ingredient, which, when blended with movies, can be counted on to draw adult males - who still control the bulk of discretionary household spending in the US - into the family viewing group and the sphere of influence exercised by TV advertisements.

Traditional sports, and variants such as gladiatorial contests and endurance trials, also provide a common visual language, easing connections with emerging media markets in newly-industrialised countries.

The scale of the potential markets alone means there will be room for more than a handful of groups. As for the US, some observers calculate Mr Rupert Murdoch's group and TCI can already call on more sources of sports programming than ESPN. The trick is for the partners to organise the material and their distribution resources to make the most of it.

Liberty Media, a TCI subsidiary, is to contribute its 15 regional Prime Sports networks (to be relaunched under the Fox Sports logo) and a handful of national programming services to the US segment of the deal. News Corp brings its 1x cable network and \$300m in cash.

The international link, which excludes the partners' UK, Japanese and New Zealand connections (at least until



existing deals expire), will be built mainly round Mr Murdoch's Star sports channel, his main conduit into Asia. Other elements include the TCI group's Spanish language service, Prime Deportiva, which is currently distributed in Spanish-language markets in the US and Latin America.

Not least because of the fudge nature of the plans so far revealed, few analysts are ready yet to offer odds on the venture's chances. They are also still puzzling over the nature of the relationship between News Corp's Mr Rupert Murdoch, and TCI's Mr John Malone, who figure prominently in the shrinking ranks of "characters" in the media and entertainment business.

By virtue of a shared tendency publicly to rail at the regulators at every opportunity, they have both been labelled as "swashbucklers". But it is only within the past week or two that their names have started to be mentioned in the same breath.

However, they also appear to have a common compelling interest in dividing a way to prosper - or even survive - in a rapidly shifting market. Mr Malone may be head of the

world's largest cable TV business, but Time Warner has a cable business almost as big, and it now has control of Turner Broadcasting Systems (including the CNN news business) as well as its publishing, music, movie-making and theme parks.

Mr Murdoch's broader media base and his - as yet - unrivalled satellite-powered reach are well-established, and News Corp seems less vulnerable than TCI. Yet its absence from the current round of mega-deals has not gone unremarked. Mr Murdoch has recently been heard regretting that he did not get a chance to bid for TBS and was relegated to the role of a spectator as Time Warner swallowed it up along with CNN.

Now there are few plums left for picking in the US market, which makes it all the more surprising that since he was instrumental in clinching the Time Warner/TBS deal, Mr Malone's first alliance after the takeover should be with the man who probably resents it most.

Christopher Parkes

AMERICAS NEWS DIGEST

Cirrus shares fall 27% on warning

Shares in Cirrus Logic, a US supplier of graphics and audio chips for use in multimedia personal computers, dropped by more than 27 per cent yesterday when the chipmaker issued a profit warning. Cirrus said that "a major customer", which it declined to identify, had reduced orders for certain graphics and audio chips. The customer, a PC manufacturer, has told Cirrus that it has excess chip inventories.

Cirrus said its operating profits in the current quarter would be down by between 10 per cent and 15 per cent, and it expected the effects to continue in the first quarter of 1996. Last month, Cirrus announced record results for its second fiscal quarter ended September 30, with revenues up 87 per cent at \$317.8m and net income up 166 per cent at \$33m, or 47 cents a share.

The company recently announced plans to invest \$2bn over the next five years to expand manufacturing facilities through joint ventures. These plans would not be affected by the order reduction, Cirrus said.

The group's shares were trading at \$29 1/4 in mid-session yesterday, down from Monday's close of \$40 1/4. Other chipmakers were also affected by the Cirrus announcement, which created renewed jitters among high-technology investors. Intel was down 7 per cent at \$65 1/4. LSI Logic declined 12 per cent to \$38 1/4 and VLSI Research was down 11 per cent at \$20 1/4.

Louise Kehoe, San Francisco

DLJ meets forecasts with \$42m

Donaldson, Lufkin & Jenrette, the investment bank floated last month by its parent The Equitable insurance group, reported a 65 per cent rise in third-quarter net income to \$42m, or 72 cents a share on a pro-forma basis, allowing for the effect of the public offer. In the same period last year DLJ earned \$25.5m, or 40 cents a share.

The results were in line with estimates made in the prospectus for the flotation. Mr John Chalsty, president and chief executive, said the results "put DLJ on track to achieve the second-best year in its 36-year history".

Revenues in the quarter rose from \$473m to \$588m. Commission revenues increased by 36 per cent to \$118m, and fees were up 2 per cent to \$90.5m. Underwriting revenues tripled to \$146m, as DLJ rose to fourth in the league tables of equity underwritings. During the quarter DLJ led the \$333m secondary offer for WorldCom.

Principal transaction revenues were 45 per cent higher at \$163m, in spite of a \$28.8m provision for a potential loss on a bridge loan to a client company, which had been indicated in the prospectus. For the first nine months, net income was up from \$85.5m to \$122m, with pro-forma earnings per share ahead from \$1.35 to \$2.07.

Maggie Urry, New York

Embotelladora Andina advances

Embotelladora Andina, which holds the Coca-Cola franchise in Chile and has expanded to the past year in Argentina and Brazil, announced a 41.1 per cent increase in net consolidated income for the first nine months to \$46.8m, compared with \$33.1m for the same period last year. Operating income from Chilean operations increased by 25.5 per cent, from \$47.1m to \$59.5m. Consolidated operating income rose by 25.8 per cent, from \$15m to \$19.4m.

Consolidated sales totalled \$430.6m for the nine months, against \$260.8m for the same period last time. The company said the main factors were a 14.7 per cent rise in total beverage volume for Chilean operations, an improvement in sales volume of plastic bottles to third parties, and the recognition of nine months of operations of its Argentine activities, which represented \$163.4m in sales.

Andina has faced stronger competition in the Chilean market since last year, with the renewed presence of a strong Pepsi-Cola franchisee, CCU of Chile in alliance with Bases, the Argentine Pepsi bottler. But Andina is an "anchor bottler" for Coca-Cola, which encouraged it to take over the franchise in Rio de Janeiro, almost doubling its capacity. In July it took over two Argentine Coca-Cola bottlers, whose results are reported for the first time in the group's third-quarter figures.

Imogen Mark, Santiago

Beneficial Bank PLC

£225,000,000

Revolving Credit Facility

guaranteed by

Beneficial Corporation

Arranged by:
Credit Suisse

Lead Managers:

ABN AMRO Bank N.V.

Bankgesellschaft Berlin (UK) plc

The Bank of Nova Scotia

Crédit Lyonnais

Credit Suisse

DG BANK

Dresdner Bank AG

The Fuji Bank, Limited

Lloyds Bank Plc

Mellon Bank, N.A.

Rabobank Nederland London Branch

Société Générale

Westdeutsche Landesbank Girozentrale

Managers:

National Westminster Bank Plc

Bank of America NT&SA

CIBC Wood Gundy Ireland Ltd.

Chemical Bank

Kredietbank N.V.

The Royal Bank of Scotland plc

The Sakura Bank, Limited

The Sumitomo Bank, Limited

Agent:
Credit SuisseADIA
Adia S.A.

CHF100,000,000

Medium Term Facility

Arranged by:
Credit Suisse

Funds provided by:

Banque Paribas (Suisse) SA

Credit Suisse

Swiss Bank Corporation

Union Bank of Switzerland

Banque Cantonale Vaudoise

Swiss Volksbank

Agent:
Credit Suisse

Prices for securities determined by the issuer or by the market, as the case may be, and are subject to change without notice.

Isolated Price for	Isolated Price for	Isolated Price for	Isolated Price for
12 month	12 month	12 month	12 month
0000	0.00	0.00	0.00
0001	0.01	0.01	0.01
0002	0.02	0.02	0.02
0003	0.03	0.03	0.03
0004	0.04	0.04	0.04
0005	0.05	0.05	0.05
0006	0.06	0.06	0.06
0007	0.07	0.07	0.07
0008	0.08	0.08	0.08
0009	0.09	0.09	0.09
0010	0.10	0.10	0.10
0011	0.11	0.11	0.11
0012	0.12	0.12	0.12
0013	0.13	0.13	0.13
0014	0.14	0.14	0.14
0015	0.15	0.15	0.15
0016	0.16	0.16	0.16
0017	0.17	0.17	0.17
0018	0.18	0.18	0.18
0019	0.19	0.19	0.19
0020	0.20	0.20	0.20
0021	0.21	0.21	0.21
0022	0.22	0.22	0.22
0023	0.23	0.23	0.23
0024	0.24	0.24	0.24
0025	0.25	0.25	0.25
0026	0.26	0.26	0.26
0027	0.27	0.27	0.27
0028	0.28	0.28	0.28
0029	0.29	0.29	0.29
0030	0.30	0.30	0.30
0031	0.31	0.31	0.31
0032	0.32	0.32	0.32
0033	0.33	0.33	0.33
0034	0.34	0.34	0.34
0035	0.35	0.35	0.35
0036	0.36	0.36	0.36
0037	0.37	0.37	0.37
0038	0.38	0.38	0.38
0039	0.39	0.39	0.39
0040	0.40	0.40	0.40
0041	0.41	0.41	0.41
0042	0.42	0.42	0.42
0043	0.43	0.43	0.43
0044	0.44	0.44	0.44
0045	0.45	0.45	0.45
0046	0.46	0.46	0.46
0047	0.47	0.47	0.47
0048	0.48	0.48	0.48
0049	0.49	0.49	0.49
0050	0.50	0.50	0.50
0051	0.51	0.51	0.51
0052	0.52	0.52	0.52
0053	0.53	0.53	0.53
0054	0.54	0.54	0.54
0055	0.55	0.55	0.55
0056	0.56	0.56	0.56
0057	0.57	0.57	0.57
0058	0.58	0.58	0.58
0059	0.59	0.59	0.59
0060	0.60	0.60	0.60
0061	0.61	0.61	0.61
0062	0.62	0.62	0.62
0063	0.63	0.63	0.63
0064	0.64	0.64	0.64
0065	0.65	0.65	0.65
0066	0.66	0.66	0.66
0067	0.67	0.67	0.67
0068	0.68	0.68	0.68
0069	0.69	0.69	0.69
0070	0.70	0.70	0.70
0071	0.71	0.71	0.71
0072	0.72	0.72	0.72
0073	0.73	0.73	0.73
0074	0.74	0.74	0.74
0075	0.75	0.75	0.75
0076	0.76	0.76	0.76
0077	0.77	0.77	0.77
0078	0.78	0.78	0.78
0079	0.79	0.79	0.79
0080	0.80	0.80	0.80
0081	0.81	0.81	0.81
0082	0.82	0.82	0.82
0083	0.83	0.83	0.83
0084	0.84	0.84	0.84
0085	0.85	0.85	0.85
0086	0.86	0.86	0.86
0087	0.87	0.87	0.87
0088	0.88	0.88	0.88
0089	0.89	0.89	0.89
0090	0.90	0.90	0.90
0091	0.91	0.91	0.91
0092	0.92	0.92	0.92
0093	0.93	0.93	0.93
0094	0.94	0.94	0.94
0095	0.95	0.95	0.95
0096	0.96	0.96	0.96
0097	0.97	0.97	0.97
0098	0.98	0.98	0.98
0099	0.99	0.99	0.99
0100	1.00	1.00	1.00

Prices are determined by the issuer or by the market, as the case may be, and are subject to change without notice.

The Pool Purchase Price is the sum of the purchase price of the securities and the purchase price of the securities, as determined by the issuer or by the market, as the case may be, and are subject to change without notice.

The Pool Purchase Price is the sum of the purchase price of the securities and the purchase price of the securities, as determined by the issuer or by the market, as the case may be, and are subject to change without notice.

BANQUE NATIONALE DE PARIS

Programme for the issuance of
USD 25,000,000
Constant Maturity Treasury
Floating Rate Notes due 2005
Series 42 Tranche 1

Notice is hereby given that the rate of interest for the period from November 7, 1995 to May 7, 1996 has been fixed at 5.75 per cent. per annum. The coupon amount due for this period is USD 25,000,000 and is payable on the interest payment date May 7, 1996.

The Final Agent
Banque Nationale de Paris
(Luxembourg) S.A.

RHÔNE-POULENC INFORMS ITS SHAREHOLDERS

Results for the first 9 months of 1995

Results at the end of September 1995 showed improvement over the same period of 1994. This was due to increased activity within each of Rhône-Poulenc's business sectors: Health, Agro, Chemicals and Fibers & Polymers. The asset divestment program undertaken in 1994 with the objective of increasing Rhône-Poulenc's business focus on its core business segments, significantly reduced the company's scope of consolidation. Consequently, only computations based on a comparable structural basis can be considered as truly representative of Rhône-Poulenc's growth.

CONTINUED
IMPROVEMENT
IN OPERATIONS

Consolidated sales for the first 9 months increased by 5.7% on a comparable basis of consolidation, as a result of higher volumes and selling prices.

Sales rose 1.6% in the third quarter as the decline in the dollar substantially undermined business growth.

Operating income for the first 9 months rose by 20.6% on a comparable structural basis, and remained stable during the third quarter.

Before restructuring provisions, it increased 11.3% for the first 9 months and 4.2% for the third quarter, buoyed by heightened activity experienced in all four sectors, and in spite of deteriorating market conditions in Brazil during the third quarter.

HIGHLIGHTS

(first 9 months of 1995)

• Sharply improved operations

Sales: FF 63.1 billion
(+ 5.7%*)

Operating income:
FF 5.8 billion
(+ 20.6%*)

on a comparable basis of consolidation

• Net income:
FF 2 billion
(+ 71.3%*)

• Earnings
per share: FF 6.19
(+ 59%*)

SHARP INCREASE
IN NET INCOME FOR
THE FIRST 9 MONTHS

Net income for the first 9 months rose sharply by 71.3%, despite a 17% downturn in the third quarter, bolstered by a significant improvement in operating income and a decline in net interest expense.

Rhône-Poulenc still expects significant improvement in full-year 1995 net income.

RESULTS BY SECTOR
First 9 months of 1995

Sales	FF millions	% 95/94*
Health	25,839	+ 3.5
Agro	8,112	+ 4.2
Chemicals	21,501	+ 5.6

Strong growth in financial services and continental European side

M&S fails to lift retail gloom

By Neil Buckley

Marks and Spencer, Britain's biggest clothing and food retailer, failed to raise spirits in the retail sector yesterday when it reported a 9 per cent rise in interim group profits but a fall in UK clothing sales in the past three months.

Pre-tax profits for the 26 weeks to September 30 increased from £354.2m to £385.4m - in the middle of expectations - on group turnover up 6 per cent to £2.2bn.

Much of the gain came from strong performances in financial services, continental Europe, and a jump in interest income from £10.2m to £25m. Profits in the rest of the world fell after poor results from Brooks Bros, the US clothing chain.

The shares gained 5p to 411p. They slipped 23p over last week to 404p after disappointing results from J. Sainsbury, the UK's biggest food retailer, and Kwik Save, the grocery

discounters. Further evidence of the competitiveness of high-street trading came yesterday from WEW, the discount chain, which warned like-for-like sales were currently 19 per cent down on last year.

Sir Richard Greenbury, M&S chairman, said consumers continued to be "very, very cautious, and very, very sensitive".

"I am just delighted we are protecting our margin and profitability in clothing, and protecting our market share," he said.

In UK clothing, sales for the half-year increased 2.7 per cent to £1.38bn, with little price inflation. Sir Richard said "extraordinary weather" in August, September and October produced sales below last year.

That meant higher mark-

downs, to keep stock levels under control. But operating costs were reduced, allowing margins to be maintained.

Food sales rose 5.9 per cent

to £1.15bn, with inflation running at 3 per cent. Analysts warned that taking into account increased floorspace, like-for-like volumes in both clothing and food were probably flat.

Total UK retail profits increased £15m to £540.6m. Profits from financial services, however, increased 45 per cent to £26.7m, despite a slow start to M&S's life assurance business.

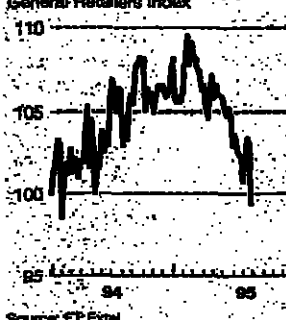
In continental Europe, operating profits increased from £5m to £6.1m, on sales up 20 per cent, but Sir Richard admitted margins were still "below what we would like".

In the international division, Sir Richard said M&S's eight Hong Kong stores were "going like a train", helping the Asian division lift profits 11 per cent to £3.9m.

Results from Brooks Bros in the US, acquired for £400m in 1988, were "very disappointing", with a £2.5m loss against a £700,000 profit. The M&S

Marks and Spencer

Share price relative to the FT-SE-100 General Index



Source: FT Data

Warburg sale shakes MAM

By Nicholas Denton

Mercury Asset Management, the newly independent fund manager, yesterday said uncertainty over the ownership of S.G. Warburg, its former parent, had undermined its efforts to gain new clients.

MAM, which won less new business than it had expected, reported a slowing in the net inflow of new funds under management. In the six months to September 30, the net inflow was £800m (£1.26bn) compared with £1.8bn for the whole of last year.

Potential clients questioned the stability of MAM's ownership before it was spun off from Warburg earlier this year. Subsequently, some institutions outside the UK were confused when MAM stopped using the Warburg name, under which it had marketed internationally.

The disappointing new business figures contributed to a

31p decline in MAM's share price to 88p, as did first-half profits towards the lower end of analysts' forecasts. Profit before tax rose nearly 12 per cent to £83.6m (£57m). Analysts had forecast £85m-£71m.

Although funds under management grew from £82.7bn to £70.9bn with the rise in equity markets, transactions declined, depressing charges to clients and MAM's margins. Nevertheless, earlier investments in equipment enabled MAM to keep a tight rein on costs.

The cash generated by MAM, which retained profits of £48m in the 18 months to September, has allowed expansion. Yesterday it announced the purchase for £33.5m of the 50 per cent of Potter Warburg Asset Management in Australia it did not own.

Mr Hugh Stevenson, MAM chairman, said the group's international priority was in the US, the world's largest pool of savings.

LEX COMMENT

Dull half year from MAM

Poor old Mercury Asset Management. The fund management group's drive to win new business was hit by the troubles of its erstwhile parent, S.G. Warburg, before it was bought by Swiss Bank Corporation. That, at least, is the company's excuse for a dull first-half performance, in which it managed to attract only £800m in net new business. Still, it seems unfair to heap all the blame on Warburg. MAM's own less-than-spectacular investment record probably also diminished its ability to pull in clients. Its biggest rivals - such as Schroder Investment Management - have been doing better. MAM's uninspiring results are hard to square with its claim to be in a growth industry. Growth may, of course, pick up in the second half to reflect MAM's improved investment performance and the absence of the Warburg factor. And while MAM's core UK pension and business is fairly mature, there are opportunities in retail investment management and overseas pension funds. The snag is that MAM is not well positioned for these growth areas, though the £11m purchase of the outstanding stake in Australia's Potter Warburg will help remedy this weakness.

On fundamentals, MAM's premium share price rating cannot be justified. A rating of over 17 times this year's expected earnings only makes sense if one believes the company will be acquired. But though many banks would probably like to buy MAM, the company wishes to stay independent and it would be pointless to launch a hostile bid for a business whose main assets are its staff.

Marks and Spencer

Marks and Spencer may not have bucked the summer's dire trend for clothes retailing, but its first-half results are nonetheless impressive. Despite a decline in clothing sales in August and September - which has continued in October - the group produced a 6 per cent increase in turnover and a 9 per cent increase in pre-tax profits. Financial services turned in a strong 45 per cent rise in profits; and food retailing proved resilient in the face of supermarket discounting. A surge in interest income also helped, though this is unlikely to be repeated in the second half given the need to make up a pensions shortfall.

Such evidence of the group's defensive qualities may help reverse its underperformance relative to both the market and the sector this year. Poorer growth prospects than in the past are easier to overlook now that the stock's hefty premium to the market has slipped. It is well positioned to benefit from a likely upturn in UK retail sales in the run-up to Christmas, which should continue into next year. Furthermore, increased turnover in continental Europe bodes well for future earnings growth, provided an improvement in economic conditions there leads to better margins. M&S already has a strong foothold in Europe and Asia, providing routes for expansion, not available to others in the sector. Its experience with its Brooks Brothers acquisition in the US, which is still failing to perform, may not augur well, but the group's record of organic growth is a strong one.

Anglian opposed to impositions

By Peggy Hollinger

Anglian Water yesterday added its weight to the campaign against the industry regulator's attempts to pressurise water companies into sharing efficiency gains with consumers.

Mr Alan Smith, managing director, said he was "all for voluntary benefits sharing, but certainly opposed to anything which might be imposed by the regulator".

Anglian had paid a one-off £8 rebate to customers last year and would be spending £15m this year to improve water supply and on environmental initiatives in the region.

He said the Labour party was "unwise" to propose the imposition of caps on profitability beyond which profit increases would be shared between the companies and consumers.

His comments follow last week's report from the Office

for Water Services in which the regulator said companies should consider sharing additional efficiencies - beyond those allowed for in the pricing regime - with consumers.

Mr Smith's statement accompanied Anglian's interim results. The group said annual cost savings of £30m, resulting from a rationalisation programme introduced last year, would be achieved one year earlier than expected. A further £20m in cost savings would be made over the next three years.

Pre-tax profits for the six months to September 30 were 4 per cent up at £125.8m (£119.8m) against £130.6m. The utility business benefited from price increases and cost-cutting, which included the 880 job losses.

Forecasts are for profits this year of about £245m (£218m) and total dividends of about 29p put the shares on a prospective yield of 6 per cent.

Nat Power keeps overseas plans

By David Wighton

National Power, the larger of the two privatised generators, yesterday insisted that its international ambitions would not be constrained if its £2.8bn (£4.42bn) bid for Southern Electric was successful.

Mr Keith Henry, chief executive, denied suggestions that the bid reflected a reduced enthusiasm for international expansion. "We will continue to aggressively pursue projects overseas."

Mr Henry admitted however that the process was "long and difficult".

National Power has so far put £214m of equity into its international interests in the US, Portugal, Spain and Pakistan, which generated slightly lower returns of £5m in the six months to October 1.

Overall profits rose 5 per cent to £254m before tax and exceptional items.

Including last year's £30m charge related to the redemption of government debt, the

rise was 20 per cent.

National Power said it has made a £20m claim against GEC Alsthon, which has been accepted, for delays to the commissioning of its new Little Barford power station in Bedfordshire. The problem was caused by faults in the gas turbines supplied by General Electric of the US.

Mr Henry said there were no competition reasons why the Southern bid should be referred to the Monopolies and Mergers Commission.

Although Professor Stephen Littlechild, the regulator, is thought to have recommended the bid be referred, Mr Henry said the company could make undertakings which would address his concerns.

However, the fact that National Power has bought less than 7 per cent of Southern's shares in the market suggests it believes there is a significant risk of a reference. It has acceptances which would give it more than 50 per cent of the shares.

BP willing to talk about gas contracts

By Robert Corzine

British Petroleum says it has not been asked by British Gas to renegotiate any North Sea gas supply contracts.

Mr John Browne, chief executive, yesterday said the company was willing to talk to British Gas about the long-term "take or pay" contracts, which required British Gas to pay BP and other North Sea producers for supplies that British Gas no longer needed.

British Gas wants North Sea producers to renegotiate the contracts because the onset of gas competition in Britain has altered the structure of the market.

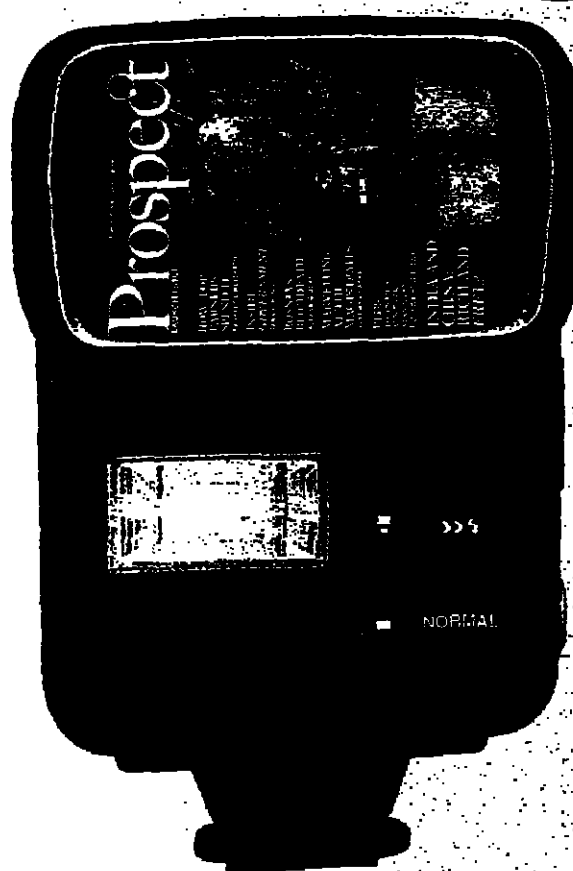
But Mr Browne said it was important that any talks did not undermine the value of the contracts.

BP's third-quarter results published yesterday reported lower gas deliveries in the UK as a result of the surplus. Although the company is paid for the gas, it cannot book the profits until gas is delivered.

The UK gas dispute had little impact, however, on the group's overall results. The company sloughed off a "temporary downturn" in chemical demand in Europe to report a 28 per cent rise in third-quarter replacement cost profits of £532m (£541m) before exceptional items.

Mr Browne confirmed that BP was planning to cut additional refinery capacity in the coming year and to link more closely the remaining refineries with their markets.

Illuminating



The magazine for a sceptical age.

Launch issue 28th September. For a free copy and a trial subscription, which you may cancel, call (0171) 757 7029.

Prospect is a new monthly magazine that will provide the thoughtful overview and intellectual stimulus that has become all too rare in the UK.

International in outlook, politically pluralistic and offering analysis and fine writing on everything from business, science and world affairs to sport, culture and lifestyle, it's designed to be dipped into, savoured and kept.

Early contributors include Frederic Raphael, Sarah Hogg, Andrew Adonis, John Kay, Amartya Sen and Jacques Attali.

Luminaries of similar status are lined up for future editions.

So you can look forward to enlightening writing month after month.

For a free copy and a trial subscription, which you may cancel, call (0171) 757 7029.

Please send me the launch issue of Prospect free and invite me to try a copy (if you are applicable) for a year's subscription (11 issues). This represents a 30% saving on the regular annual cost. I understand I may cancel my order at any time without incurring any penalty. The launch issue will be mine to keep at no cost.

Name _____
Company _____
Address _____

Prospect
Return to Prospect Subscriptions, Unit 1, Hainault Works,
Hainault Road, Little Heath, Ruislip, Essex IO4 5NP

MATTER OF RECORD

NOVEMBER 1995

IBOS Ltd

welcomes

Chase Manhattan

as an investor and participant in IBOS's advanced solutions

Real-Time Payments
Cash Management
Global Electronic Commerce

For further information

Sean Verity
Chief Executive
IBOS Ltd
London
Tel: +44-171-799 2211
Fax: +44-171-233 0930

Charles Mallis
Vice President
The Chase Manhattan Bank N.A.
New York
Tel: +1-718-242 3221
Fax: +1-718-242 7153

Venture capitalists breach Ukraine's investment frontier

Shake-up at JSE aims to widen appeal

European Bank for Reconstruction and Development, which has committed \$225m to projects in Ukraine. "If business is to thrive here it needs venture capital."

- Barclays PLC
- Kredietbank Luxembourg
- BNL
- Noriura International
- Den Danske Bank

ach supplied by lead manager. +Unlisted. &
 i. a) Fungible with DM1.5m. Plus 30 days
 e Funding Corp. Securitised by residential
 ith Libor +125bp to Nov.05 and +40bp

at 7:10 pm on November 7										
Bid	Offer	Chg.	Yield		Issued	Bid	Offer	Chg.	Yield	
100	105 1/2	105 1/2	4.52	Abbey Nat Treasury 8 03 C	1000	98 1/2	99	8 1/2	8.25	
100	106 1/2	106 1/2	4.16	Albany Loan 12 1/2 PZ C	100	106 1/2	106 1/2	4 1/2	6.05	

105%	104%	3.13	Italy 10½ 14 1/2	400	107%	104%	9.34
105%	104%	2.50	Japan Dev Bk 7 00 E	200	106%	99%	8.21
105%	104%	2.87	Land Spec 5½ 07 E	200	104%	103%	8.90
105%	103%	2.84	Ontario 11½ 07 E	200	113%	104%	7.86
105%	114%	4.75	Powhatan 6½ 08 E	250	102%	102%	8.35
105%	115%	3.01	Tennessee 11½ 99 E	250	111%	112	7.72
105%	104%	4.08	Trans Am 11½ 11 0 E	75	113%	104%	7.82
105%	114%	4.08	World Fin 10½ 11 0 E	250	107%	104%	7.70
105%	111%	4.47	World Bank 10½ 19 A28	250	107%	104%	7.70
105%	99%	5.16	Credit Louis 01 19 F	7000	95%	94%	6.05
105%	119%	4.44	Elec de France 14 21 F	3000	117%	104%	8.09

[illegible][illegible]

هكذا من اجل

CURRENCIES AND MONEY

MARKETS REPORT

French franc profits from political turmoil in Paris

By Robert Chote

The resignation of the French cabinet yesterday morning initially prompted a fall in the franc, but this was more than reversed on markets as it was seen as a sign of a government determined to take a tougher approach to government borrowing costs.

The dollar remained sidelined by the uncertainty over the outcome of negotiations between Congress and the White House over the US budget and a possible extension to the ceiling on federal government debt. A draft House bill would raise the debt ceiling by \$50bn until the middle of next month, by which time a final budget bill should have been sent to President Bill Clinton for signature.

Against this backdrop the US currency was underpinned by the franc's recovery against the D-mark and by sales of D-marks for Japanese yen. Quarterly US productivity figures had little impact.

The Mexican peso fell

sharply against the dollar again, prompting expectations of a big jump in the interest rates demanded by buyers of the government's debt.

The dollar ended the day a third of a penny above Monday's London close at DM1.4157 and rose 0.0705 to Y102.95.

The uncertainty which at first surrounded the resignation of the French cabinet pushed the franc to a low of around FF4.4765 against the D-mark, but on sober reflection the markets decided it was good news and pushed the French currency higher.

Mr Adrian Cunningham, senior currency economist at UBS in London, said the franc had turned out to be "the shining star of the European market".

He said the franc's recovery against the D-mark and by sales of D-marks for Japanese yen. Quarterly US productivity figures had little impact.

The Mexican peso fell

ket" as dealers concluded that the president and prime minister were simply putting pressure on dissenters to fall behind their plans to rein in social security spending.

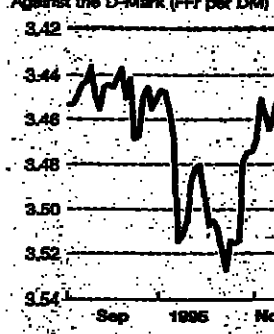
Mr Cunningham said there was scope for continued volatility in the short term, given the atmosphere of political instability. But he added that the franc was on course for FF4.45 at year-end and FF4.30 in 6 to 12 months.

However, Mr David Brown, chief European economist at Bear Stearns, said the day's events suggested that tighter fiscal policy would be used to justify faster cuts in interest rates. He added that "the Bank of France may now be taking more liberties with the exchange rate". He expects to see the franc moving through FF4.50 in coming weeks.

The franc closed in London at FF4.452 against the D-mark, an appreciation of 1.3 centimes since Monday's close.

French franc

Against the D-Mark (FF per DM)



Source: FT Index

the government rebuffed speculation about early entry into the European exchange rate mechanism, recovered from Monday's close of SKr4.738 at SKr4.708.

Sterling rose a whisker against the D-mark, closing at DM2.2357 from Monday's DM2.2337. Attention will be fixed today on the Bank of England's latest quarterly inflation report, which may indicate how willing the central bank will be to concede the case for an interest rate cut after this month's budget.

Technical analysts are nervous that any significant weakening in sterling could develop momentum, but for now the currency is caught in the same headlines as the dollar.

The Mexican peso opened sharply lower against the US dollar yesterday, reinforcing expectations that this week's auction of pesos (or treasury bills) would see a big increase

in interest rates. The peso made up a little ground later.

The peso shed around 12 centavos in early trading, taking the peso to around 7.52 to the dollar in the closely watched 48-hour contracts market.

Before the weekly ceter auction analysts were looking for a rise of around 5 percentage points in the rate on the benchmark 28-day bond, taking it to around 50 per cent. The Mexican authorities hope this will underpin the currency by attracting foreign investors.

The Bank of England provided the money market with around \$900m of assistance at established interest rates to meet a shortage forecast throughout the day at \$900m.

WORLD INTEREST RATES

MONTHLY RATES

Month	Overnight	One month	Three months	Six months	One year	Long term	Debt	Repo
November 7								
Belgium	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
France	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Germany	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Italy	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Netherlands	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Spain	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Sweden	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Switzerland	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
UK	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
US	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Japan	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-

LIBOR FT London

Month	Overnight	One month	Three months	Six months	One year	Long term	Debt	Repo
November 7								
Interbank	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
US dollar	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
ECU	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-
Japanese	3 1/2	4 1/4	4 1/4	4 1/4	4 1/4	8 1/2	3.50	-

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

LIBOR interest rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Repo rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Long term rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

Debt rates are offered rates for 50m quoted to the market by four reference banks 11am each working day. The banks are: Barclays Bank, Citibank, Deutsche Bank and Paribas.

POUND SPOT FORWARD AGAINST THE POUND

Nov 7		Closing mid-point	Change on previous day	Std/offer spread	Day's Mid low	One month NPAP	
Europe							
Austria	(6ch)	15.7296	-0.0189	219 - 378	15.7398 15.6848	15.6804	2.31
Belgium	(8Ff)	45.9869	-0.0889	428 - 291	45.1200 45.8310	44.8600	2.21
France	(8Ff)	8.9688	-0.0073	592 - 883	8.6738 8.5836	8.9592	1.17
Germany	(7Ff)	11.781	-0.0014	351 - 357	8.7387 5.6838	8.7168	0.78
Italy	(FFf)	7.7189	-0.0188	157 - 320	7.7542 7.7272	7.7250	2.21
Spain	(D)	2.9357	-0.0025	347 - 367	2.2380 2.2074	2.2300	2.51
Sweden	(8F)	15.7293	-0.364	411 - 485	37.0031 367.305		
Switzerland	(C)	0.8787	-0.0002	154 - 157	0.8787 0.8787	0.8787	0.78
UK	(L)	2515.57	-3.82	575 - 738	2522.81 2513.75	2522.82	1.01
Luxembourg	(L Ff)	45.9869	-0.0889	428 - 291	45.1200 45.8310	45.8800	2.25
Netherlands	(F)	2.5053	-0.0044	658 - 657	2.5074 2.4981	2.4986	2.21
Norway	(S)	1.7888	-0.0002	154 - 157	1.7888 1.7888	1.7888	0.78
Portugal	(S)	235.145	-0.12	214 - 276	234.234 234.181	235.685	1.01
Spain	(P)	129.984	-0.068	808 - 782	129.983 129.145	129.184	-0.31
Sweden	(8F)	15.7293	-0.0458	484 - 420	10.9089 10.9248	10.9356	-0.33
Switzerland	(C)	0.8788	-0.0003	157 - 151	1.8018 1.7857	1.7911	0.77
UK	(C)						
US		1.2178	-0.0005	171 - 184	1.2200 1.2187	1.2188	0.6
Europe		1.075900					
Asia							

OFFSHORE AND OVERSEAS

BERMUDA (STB RECOGNISED)

[illegible]

BERMUDA (REGULATED)()**

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED) (*)

[illegible]

Liter Am Cdn Nov A	\$60.28	
Liter Am Cdn Mar B	\$117.14	
Liter Am Cdn May E	\$117.14	
Liter Am Cdn Sep F	\$117.14	
Liter Am Cdn Dec G	\$117.14	
Liter Am Cdn Jan H	\$117.14	
Liter Am Cdn Feb I	\$117.14	
Liter Am Cdn Apr J	\$117.14	
Liter Am Cdn Jun K	\$117.14	
Liter Am Cdn Aug L	\$117.14	
Liter Am Cdn Oct M	\$117.14	
Liter Am Cdn Nov N	\$117.14	
Liter Am Cdn Dec O	\$117.14	
Liter Am Cdn Jan P	\$117.14	
Liter Am Cdn Feb Q	\$117.14	
Liter Am Cdn Mar R	\$117.14	
Liter Am Cdn Apr S	\$117.14	
Liter Am Cdn May T	\$117.14	
Liter Am Cdn Jun U	\$117.14	
Liter Am Cdn Jul V	\$117.14	
Liter Am Cdn Aug W	\$117.14	
Liter Am Cdn Sep X	\$117.14	
Liter Am Cdn Oct Y	\$117.14	
Liter Am Cdn Nov Z	\$117.14	
Liter Am Cdn Dec AA	\$117.14	
Liter Am Cdn Jan AB	\$117.14	
Liter Am Cdn Feb AC	\$117.14	
Liter Am Cdn Mar AD	\$117.14	
Liter Am Cdn Apr AE	\$117.14	
Liter Am Cdn May AF	\$117.14	
Liter Am Cdn Jun AG	\$117.14	
Liter Am Cdn Jul AH	\$117.14	
Liter Am Cdn Aug AI	\$117.14	
Liter Am Cdn Sep AJ	\$117.14	
Liter Am Cdn Oct AK	\$117.14	
Liter Am Cdn Nov AL	\$117.14	
Liter Am Cdn Dec AM	\$117.14	
Liter Am Cdn Jan AN	\$117.14	
Liter Am Cdn Feb AO	\$117.14	
Liter Am Cdn Mar AP	\$117.14	
Liter Am Cdn Apr AQ	\$117.14	
Liter Am Cdn May AR	\$117.14	
Liter Am Cdn Jun AS	\$117.14	
Liter Am Cdn Jul AT	\$117.14	
Liter Am Cdn Aug AU	\$117.14	
Liter Am Cdn Sep AV	\$117.14	
Liter Am Cdn Oct AW	\$117.14	
Liter Am Cdn Nov AX	\$117.14	
Liter Am Cdn Dec AY	\$117.14	
Liter Am Cdn Jan AZ	\$117.14	
Liter Am Cdn Feb BA	\$117.14	
Liter Am Cdn Mar BB	\$117.14	
Liter Am Cdn Apr BC	\$117.14	
Liter Am Cdn May BD	\$117.14	
Liter Am Cdn Jun BE	\$117.14	
Liter Am Cdn Jul BF	\$117.14	
Liter Am Cdn Aug BG	\$117.14	
Liter Am Cdn Sep BH	\$117.14	
Liter Am Cdn Oct BI	\$117.14	
Liter Am Cdn Nov BJ	\$117.14	
Liter Am Cdn Dec BK	\$117.14	
Liter Am Cdn Jan BL	\$117.14	
Liter Am Cdn Feb BM	\$117.14	
Liter Am Cdn Mar BN	\$117.14	
Liter Am Cdn Apr BO	\$117.14	
Liter Am Cdn May BP	\$117.14	
Liter Am Cdn Jun BQ	\$117.14	
Liter Am Cdn Jul BR	\$117.14	
Liter Am Cdn Aug BS	\$117.14	
Liter Am Cdn Sep BT	\$117.14	
Liter Am Cdn Oct BU	\$117.14	
Liter Am Cdn Nov BV	\$117.14	
Liter Am Cdn Dec BW	\$117.14	
Liter Am Cdn Jan BX	\$117.14	
Liter Am Cdn Feb BY	\$117.14	
Liter Am Cdn Mar BZ	\$117.14	
Liter Am Cdn Apr CA	\$117.14	
Liter Am Cdn May CB	\$117.14	
Liter Am Cdn Jun CC	\$117.14	
Liter Am Cdn Jul CD	\$117.14	
Liter Am Cdn Aug CE	\$117.14	
Liter Am Cdn Sep CF	\$117.14	
Liter Am Cdn Oct CG	\$117.14	
Liter Am Cdn Nov CH	\$117.14	
Liter Am Cdn Dec CI	\$117.14	
Liter Am Cdn Jan CJ	\$117.14	
Liter Am Cdn Feb CK	\$117.14	
Liter Am Cdn Mar CL	\$117.14	
Liter Am Cdn Apr CM	\$117.14	
Liter Am Cdn May CN	\$117.14	
Liter Am Cdn Jun CO	\$117.14	
Liter Am Cdn Jul CP	\$117.14	
Liter Am Cdn Aug CQ	\$117.14	
Liter Am Cdn Sep CR	\$117.14	
Liter Am Cdn Oct CS	\$117.14	
Liter Am Cdn Nov CT	\$117.14	
Liter Am Cdn Dec CU	\$117.14	
Liter Am Cdn Jan CV	\$117.14	
Liter Am Cdn Feb CW	\$117.14	
Liter Am Cdn Mar CX	\$117.14	
Liter Am Cdn Apr CY	\$117.14	
Liter Am Cdn May CZ	\$117.14	
Liter Am Cdn Jun DA	\$117.14	
Liter Am Cdn Jul DB	\$117.14	
Liter Am Cdn Aug DC	\$117.14	
Liter Am Cdn Sep DD	\$117.14	
Liter Am Cdn Oct DE	\$117.14	
Liter Am Cdn Nov DF	\$117.14	
Liter Am Cdn Dec DG	\$117.14	
Liter Am Cdn Jan DH	\$117.14	
Liter Am Cdn Feb DI	\$117.14	
Liter Am Cdn Mar DJ	\$117.14	
Liter Am Cdn Apr DK	\$117.14	
Liter Am Cdn May DL	\$117	

[illegible]**IRELAND (STB RECOGNISED)**[illegible]

1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382</
------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	--------

[illegible]**IRELAND (REGULATED)^(*)**[illegible]

GFP Interest Rate Arbitrage Fund Plc				
1994	120.77			

[illegible]

100-443887-1728

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

JERSEY (SUB RECOGNISED)

[illegible]**JERSEY (REGULATED™)**[illegible]

John Goveitt Management (Jersey) Ltd
74-76 The Quadrant, Wokingham RG40 3AB | Tel: 0118 770 12 999 | Fax: 0118 770 1009 | E: jg@jgmv.co.uk

[illegible]

LUXEMBOURG (SIB RECOGNISE)

[illegible]

11-11-11

[illegible]

Den norske Bank
7 Dockwatt Road, Ltd
2nd Floor, 2nd Floor, 2nd Floor

[illegible]

Foreign & Colonial Emerging Markets Ltd (n

[illegible]

Room	Office	15		
Water	Lab	10		
Phone	Office	10		
Phone	Lab	10		

[illegible]

1. The American	2. The American	3. The American	4. The American
5. The American	6. The American	7. The American	8. The American
9. The American	10. The American	11. The American	12. The American

[illegible]**LUXEMBOURG (REGULATED)***[illegible]

OF 15th
175000

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Takeover speculation drives equities higher

By Steve Thompson,
UK Stock Market Editor

Another burst of actual and rumoured takeover stories, plus widespread relief with the majority of the day's company news, helped drive UK stocks higher yesterday.

London rose in spite of disappointing performances by Wall Street overnight and when the US market opened for business yesterday afternoon. Some dealers also expressed concern over the lack of progress made by bond markets yesterday, after news that two US bond auctions had been postponed.

Senior dealers said the UK market remained "delicately poised",

with the bond market holding the key to equities' performance in the short term, in the absence of any short takeover developments. One pointed out that marketmakers had become increasingly wary of Wall Street over the last couple of trading sessions, which had seen that market react negatively to a further spate of takeovers and mergers.

But the momentum of some determined and often sizeable buying interest, notably in the high street banks and the water and electricity stocks, was such that the market closed with good gains on balance.

The FT-SE 100 index moved up a further 7.6 to 3,522.4, for a two-day gain of 22 points, while the FT-SE

Mid 250 index, representing the second line stocks, put on 8.2 at 3,293.9, a rise of 20.2 over the past two days. Utilities stocks figured prominently in both indices, after news that the Department of Trade and Industry had allowed Lyonnais des Eaux, the French group, to proceed with its intended bid for Northumbrian Water. The DTI did impose certain conditions, however, including price reductions of 15 per cent to be implemented over the next six years. Dealers expect the French company to launch its bid for Northumbrian tomorrow morning.

There was relief around the market with satisfactory results released by the leaders yesterday, particularly from Marks and Spencer and BP. The only dark clouds

overhanging the market came from Grönes, which saw its shares fall heavily in the wake of a disappointing presentation, provoking a number of profits downgrades.

In the Mid 250 index, Amersham caused acute disappointment by posting static profits and no increase in the dividend, while Colar plunged in the wake of a profit warning prompted by the warm autumn weather.

Turnover in equities totalled a hefty 792.8m shares at 8pm, boosted by a flurry of two-way trades for cash in many of the FT-SE 100 constituents. Customer business on Monday was valued at £1.87bn.

Worries about broker profits downgrades continued to depress Caradon. The shares, 27p earlier this year, lost 8 to a 1955 low of 17p.

Meyer International, which put out a late summer profits warning, shed 14 to 32p as nervousness set in ahead of the interim results due later this month.

Business support services leader BRT traded 25m shares, following an institutional dividend-related trade of 21.8m shares at 12p. The shares closed slightly better at 131p.

Bid talk returns in banks

The return of takeover speculation in TSB Group saw the stock race ahead 16p to 396p, making it the day's best performing issue among FT-SE 100 constituents. Volume was 7.8m shares.

Last month TSB and Lloyds Bank announced plans for an agreed merger. Yesterday there were rumours in the market suggesting a counter-bidder may emerge for TSB. The list of possible suitors mentioned included Abbey National and German group Commerzbank.

However, analysts dismissed the counter-bid story and instead attributed the rise to some switching from Lloyds Bank and into TSB by several net funds.

It was also a good day for Lloyds Bank and the shares appreciated 18p to 816p, after ABN Amro Hoare Govett, the group's broker, recommended the stock. Hoare was said to have highlighted the benefits of a merger between Lloyds and TSB. Turnover in Lloyds stood at 8m.

Abbey National was also in demand and the shares moved forward 12p to 545p. The placing of around 5m shares at 527p contributed to the day's total turnover of 17m.

Strauss Turbulla yesterday came out with an aggressive recommendation on the stock. Analysts at the securities house said: "We think Abbey National will have the fastest

Guinness weak

Spirits group Guinness fell sharply as several brokers downgraded profits expectations following a company presentation to analysts and investors on Monday.

The meeting was interpreted as negative and an analyst who attended the meeting said: "It may not have been the intended message, but the company seems to be saying that things are not going as well as expected."

The shares declined by nearly 4 per cent, slipping 20 to 489p, making them the day's worst performing stock in the Footsie. Volume stood at 6.7m. The list of brokers downgrading included Kleinwort Benson, which trimmed its forecast for the year to December 1996 by £10m to £988m, and by £10m for the following year. Kleinwort said it was concerned about the group's "inability to increase prices".

Calor retreats

Warm autumn weather caused a profits warning from Calor Gas and added fresh impetus to the concern surrounding the dividend outlook at British Gas. The latter's shares ran up the day's second heaviest turnover among Footsie stocks - 12m - and closed slightly easier at 236p.

British Gas has come down from a May high of 317p, as worries about long term fixed price gas contracts have gnawed away at sentiment.

Yesterday, bottled gas specialist Calor - down 20 to 237p - kept the bearish mood intact with news that the weather was adversely affecting profits.

Down 7 at one stage, British Gas shares clawed back most of the day's loss as a late rumour ran round the market that the group was about to renegotiate gas contracts with a top supplier.

The speculation was sparked by a Reuters interview which quoted BP as saying that "in extreme circumstances there was some potential for BP's gas supply contracts to be renegotiated".

Oil leader British Petroleum came off sharply immediately after the announcement of its third-quarter results, but clawed back ground as the day progressed. The shares, down 7 at one stage, closed all-square at 489p following modest turnover of 6.3m shares.

Group profits were well ahead of brokers' estimates, and there was also said to be widespread relief that BP did not wholly share Shell's recent pessimism on the outlook for trading.

However, concern about the upcoming Opec meeting, which opens on November 21, kept sentiment firmly in check. According to NatWest Securities analyst Mr Fergus MacLeod, worries about the operating environment had been overstated. In his view, a price war for market share among the top oil producing nations was not a credible possibility.

NatWest upgraded its 1996 forecast by 558m to £2,045bn. Allied Domecq was the other main feature in the drinks sector, as it announced full-year figures slightly better than anticipated.

The stock held steady at 493p with some 4.7m shares traded by the close. Analysts were

busy downgrading current year profits estimates, after the company said it saw little scope to raise prices faster than inflation.

Dealers also reported some switching from spirits shares into other stocks in the sector. Among those which benefited from the move were Bass, which gained 8 at 699p, and Whitbread, 4 harder at 629p.

Shares in Northumbrian Water surged ahead as bid fever returned to the water sector, after the UK government cleared French group Lyonnais des Eaux's proposed takeover of the utility.

Conditions imposed for approval included price cuts of 15 per cent over the next six years if the merger succeeded. Talk in the market was that the French group was lining up a bid of between 105p and 110p a share that could be tabled as soon as tomorrow.

The prospect of such an offer sent the UK group's shares soaring 66 to 1074p.

Ms Angela Whelan at Credit Lyonnais said: "I think the two sides will be meeting for talks and it will be an agreed bid. Northumbrian is unlikely to want to mount a serious defence as it has unwanted publicity from a regulatory and political point of view."

Satellite broadcaster BSkyB jumped to second place in the Footsie rankings, following top of the range first-quarter results. These helped dispel market talk of consumer resistance, and the shares bounded ahead by more than 4 per cent, adding 16 to 386p.

The improved outlook for media trading also infected the cable television groups. General Cable rose 6 to 189p and TeleWest Communications put on 6p at 174p.

Rumours that a top broker had downgraded its stance on European building materials stocks took the shine off some of the leaders. Pilkington tum-

bled by nearly 5 per cent or 9 to 186p. RMC and Redland, both of which have big German operations, fell 16 to 982p and 6 to 331p respectively.

Worries about broker profits downgrades continued to depress Caradon. The shares, 27p earlier this year, lost 8 to a 1955 low of 17p.

Meyer International, which put out a late summer profits warning, shed 14 to 32p as nervousness set in ahead of the interim results due later this month.

Business support services leader BRT traded 25m shares, following an institutional dividend-related trade of 21.8m shares at 12p. The shares closed slightly better at 131p.

Turnover in equities totalled a hefty 792.8m shares at 8pm, boosted by a flurry of two-way trades for cash in many of the FT-SE 100 constituents. Customer business on Monday was valued at £1.87bn.

Worries about broker profits downgrades continued to depress Caradon. The shares, 27p earlier this year, lost 8 to a 1955 low of 17p.

Meyer International, which put out a late summer profits warning, shed 14 to 32p as nervousness set in ahead of the interim results due later this month.

Worries about broker profits downgrades continued to depress Caradon. The shares, 27p earlier this year, lost 8 to a 1955 low of 17p.

Meyer International, which put out a late summer profits warning, shed 14 to 32p as nervousness set in ahead of the interim results due later this month.

Business support services leader BRT traded 25m shares, following an institutional dividend-related trade of 21.8m shares at 12p. The shares closed slightly better at 131p.

Turnover in equities totalled a hefty 792.8m shares at 8pm, boosted by a flurry of two-way trades for cash in many of the FT-SE 100 constituents. Customer business on Monday was valued at £1.87bn.

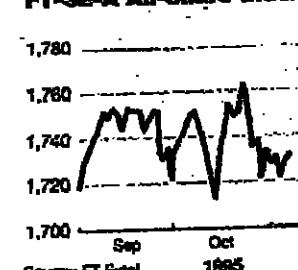
Worries about broker profits downgrades continued to depress Caradon. The shares, 27p earlier this year, lost 8 to a 1955 low of 17p.

Meyer International, which put out a late summer profits warning, shed 14 to 32p as nervousness set in ahead of the interim results due later this month.

Business support services leader BRT traded 25m shares, following an institutional dividend-related trade of 21.8m shares at 12p. The shares closed slightly better at 131p.

Turnover in equities totalled a hefty 792.8m shares at 8pm, boosted by a flurry of two-way trades for cash in many of the FT-SE 100 constituents. Customer business on Monday was valued at £1.87bn.

FT-SE-A All-Share index



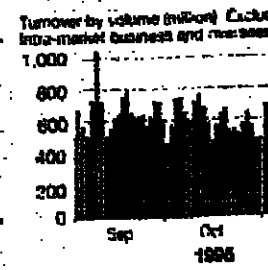
Source: FT Index

Indices and ratios			
FT-SE 100	3522.4	+7.6	
FT-SE Mid 250	3293.9	+8.2	
FT-SE-A All-Share	1751.45	+3.8	
FT-SE-A All-Share yield	3.87	(3.87)	

Best performing sectors		
1 Water	+1.6	
2 Banks	+1.5	
3 Pharmaceuticals	+1.0	
4 Breweries	+0.7	
5 Retailers, General	+0.7	

Worst performing sectors		
1 Spirits, Wines & Cds	-1.9	
2 Tobacco	-1.0	
3 Telecommunications	-0.8	
4 Other Servs & Bus	-0.7	
5 Extractive Inds	-0.6	

Equity shares traded



Turnover by volume (million) Excluding intra-market business and non-exec turnover

Indices and ratios			
FT Ordinary index	2576.6	+3.8	
FT-SE-A Non Exec p/a	16.62	(16.57)	
FT-SE 100 Fut Dec	3530.0	-7.0	
10 yr Gilt yield	7.86	(7.85)	
Long gilt equity yield ratio	2.11	(2.11)	

Worst performing sectors		
1 Spirits, Wines & Cds	-1.9	
2 Tobacco	-1.0	
3 Telecommunications	-0.8	
4 Other Servs & Bus	-0.7	
5 Extractive Inds	-0.6	

Worst performing sectors		
1 Spirits, Wines & Cds	-1.9	
2 Tobacco	-1.0	
3 Telecommunications	-0.8	
4 Other Servs & Bus	-0.7	
5 Extractive Inds	-0.6	

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0	-7.5	3543.0	3514.0	7069	64004
Mar	3557.5	3557.5	-7.5	3587.5	3527.5	5	4128
Jun	3562.0	3562.0	-7.0			0	134

■ FT-SE MID 250 INDEX FUTURES (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3291.0	3291.0				0	3537

■ FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int
Dec	3520.0	3520.0				0	3537

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) CDS per full index point

	3.91	2.08	15.34	105.02	1208.72
	3.87	2.04	15.33	105.00	1208.72

AMERICA

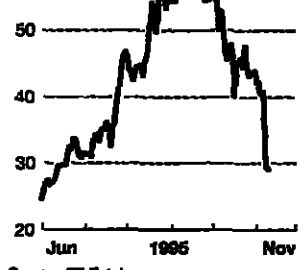
US stocks fall on outlook for chip makers

Wall Street

Worries about the outlook for makers of semiconductors and semiconductor equipment sent the technology-rich Nasdaq composite down sharply in early trading yesterday, dragging broader indices modestly lower, *writes Lisa Branstetter in New York.*

At 1pm the Nasdaq was off 15.38 or 1.5 per cent to 1,046.76, while the Pacific Stock Exchange technology index shed 2.2 per cent.

The Dow Jones Industrial Average was 7.95 lower at 4,806.06. The Standard & Poor's 500 dipped 1.46 to 588.48 and the American Stock Exchange composite was 0.55 easier at 528.06.



Source: FT Data

Volatility on the NYSE came among investors in chip manufacturers by warning that operating profits for the second quarter ended September 30, would be 10 to 15 per cent lower because a big customer had reduced orders. In early trading, the shares sank 11 1/2 or 3 per cent to \$29.4.

Adding to pessimism in the sector was Merrill Lynch's move to downgrade several semiconductor groups including Intel, off \$4 1/2 to \$66. Micron Technology, 3 1/2 per cent lower at \$61 1/2, and Texas Instruments,

which relinquished \$1 to \$61 1/2. Meanwhile, other semiconductor equipment makers dropped after an analyst at Soundview Financial lowered his ratings on five companies in the sector.

Applied Materials gave up \$1 1/2 to \$48 1/2. Credence Systems fell \$1 1/2 to \$55. Lam Research dropped \$1 1/2 to \$57 1/2. Megabest was \$3 lower at \$27 1/2, and Tardyne shed 3 1/2 to \$30.

Elsewhere, Value Health sank 3 1/2 or 11 per cent to \$22 1/2 after announcing a third-quarter loss of \$1 a share. The company also said it would take a \$31m restructuring charge in the fourth quarter.

Amgen edged up \$1 1/2 to \$147 1/2 after reporting third-quarter earnings of 3 cents a share, 2 cents ahead of analysts' mean estimate.

Shares in Pete's Brewing, the maker of Pete's Wicked Ale, jumped in first-day dealings. Shares in the company were priced on Monday at \$18, but by midday yesterday were changing hands for \$26.

American Depository Receipts of Mexican companies were mostly lower amid continued economic uncertainty in Mexico. Telmex shed 1/2 to \$38 1/2. Desc was 1/2 lower at \$10 and Grupo Televisa gave up 1/2 to \$18 1/2.

Canada

Weakness in the bond market and sharp falls in one stock overshadowed Toronto. Last week's 200-point rise, inspired by the outcome of the Quebec referendum, appeared to have run out of steam. At midsession, the TSX 300 index was down 4.26 to 4,586.40.

Loewen, one of North America's biggest funeral home operators, fell \$2 1/2 to \$94 1/2 on concerns that the rapid growth that it had experienced would be hit by legal worries. Last week, a Mississippi jury awarded \$500m damages against Loewen for breach of contract.

EUROPE

Paris gains 2% as Chirac reshuffles government

The sudden resignation of the government at the request of President Jacques Chirac pleased PARIS. The CAC-40 index initially raced ahead to a session's high of 1,894.71, before throttling back to close with a gain of 94.71 or 1.9 per cent at 1,897.35.

Mr James Cornish, European strategist at NatWest Markets in London, remarked, ahead of the new cabinet being named, that Mr Chirac seemed to be hoping that "the theatrical gesture of a new, tighter government, albeit with the same prime minister... will enable him to make a new start and repair the damage done since the presidential elections. If this view proves correct, French bonds and the franc should strengthen, though there will be a rough patch ahead if there are serious demonstrations and strikes... investors are, however, still used to buying French equities on the hope of a weak franc, and there may, therefore, be short term disappointment."

Mr Simon Hopkins at Nomura in Paris commented that it appeared the reshuffle was an opportunity for the government to smarten up its image and rationalise disparate departments. "Increasingly, investors are convinced that what is required is the continuation of a tight monetary policy combined with a real effort to reduce the budget deficit."

CarnaudMetalbox gained late support after the European Commission cleared a merger deal with Crown Cork & Seal. The shares rallied FF9.40 or 4.6 per cent to FF213.90.

TF1, the private television channel, was sold heavily in late trade after it was disclosed that the chairman had been taken in for questioning by the police. The stock edged down FF2.90 or 5.7 per cent to FF561.

FRANKFURT shrugged off a clutch of disappointing corporate results to rise steadily in French market and rise in the US dollar.

The DAX index closed 5.9 up

FT-SE Actuaries Share Indices

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31
FT-SE 100	1400.18	1404.82	1408.12	1411.81	1415.03	1418.06	1421.09	1424.01
FT-SE 250	1518.84	1520.92	1522.49	1525.07	1528.28	1531.36	1534.44	1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

FT-SE 100 1400.18 1404.82 1408.12 1411.81 1415.03 1418.06 1421.09 1424.01
FT-SE 250 1518.84 1520.92 1522.49 1525.07 1528.28 1531.36 1534.44 1537.52

Nov 7
Daily changes
Nov 6
Nov 5
Nov 4
Nov 3
Nov 2
Nov 1
Oct 31

BASF, which reports tomorrow, fell DM1.50 to DM303.20. Schering, the pharmaceuticals concern, lost a further DM1.65 to DM95.40 in reaction to Monday's ban on low dosage contraceptive pills.

Bremer Vulkan, the shipbuilder, tumbled an additional DM5.15 to DM33.65 on growing speculation that the company faces liquidity problems.

AMSTERDAM contended with a 13 per cent drop in Fokker's share price as parent group Daimler confirmed that it could sever its ties if the Dutch government did not provide financial support for restructuring of the aircraft manufacturer.

The shares plunged FL1.20 to FL7.80 as the AEX index shed 1.15 to 452.17.

Unilever, which publishes its third-quarter earnings on Friday, declined FL2.60 to FL203.00. Brokers said that expectations were for relatively flat figures.

KNP BT lost 90 cents to FL45.30 ahead of today's results, which were expected to show a net profit between FL12m and FL14m.

MILAN was becalmed as investors stayed away ahead of two key parliamentary votes and an impending privatisation. In slack volume the Mib-

tel index ended the day at 9,270, only 15 up from its previous close. The Comit index lost 0.75 to 578.54.

Institutional investors held off ahead of the 20 per cent privatisation of ENI, the oil and gas group, which takes place in two weeks' time and is set to raise L20,000bn.

The current low level of interest in the market was reflected by the latest figures on mutual fund investment. One economist said funds withdrew L681bn from equities in October, L854bn in September and L384bn in August.

ZURICH maintained its early gains and the SMI index finished 10.6 higher at 3,134.9. SBC bearers hardened SF7.10 to SF7.43 ahead of the publication of nine months' figures after the bourse closed UBS bearers shares put on SF7.10 at SF7.1233.

STOCKHOLM made ground, helped by a late rally in Astra following the publication of third-quarter results. The AFST/Arden general index added 6.9 to 1,713.0.

Astra A was ahead SKr2.50 at SKr238, having initially retreated as investors digested the slightly weaker than expected results.

Volvo B rose SKr1.50 to SKr146.50 ahead of today's third-quarter figures. MADRID responded to the gains in the US dollar and Paris. A sharp rise in futures helped the general index firm 2.8 to 237.88. Telefónica was lifted Ptas to Pta1,574.

TEL AVIV continued to rebound, although turnover, at Shk52.4m, was reported to be below the daily average. The Mifstamim index rose 2.27 or 1.2 per cent to 188.20. Brokers said that investors were still in a "wait-and-see" mood.

Written and edited by Peter John and John Pitt

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

Source: FT Data

ASIA PACIFIC

Nikkei average closes lower on technical selling

Tokyo

Shares closed slightly lower on technical selling prompted by a decline in the dollar, but activity remained steady on trading of speculative issues, *writes Emiko Terawaka in Tokyo.*

The Nikkei 225 index was down 15.75 to 18,021.22 after trading between 17,938.00 and 18,073.54. The Tokyo index of all first section stocks eased 0.76 to 1,435.18 and the Nikkei 300 ended unchanged at 288.63.

Volume came to 355m shares, against 406m. Most overseas and domestic institutional investors stayed on the sidelines but individual investors dabbled in speculative issues. Trading was concentrated on a handful of stocks, with volume of the top 10 most actively traded stocks accounting for 30.7 per cent of the day's total business. Declines outscored advances by 614 to 422, with 161 issues remaining unchanged. In London the ISE, Nikkei 50 index edged up 0.58 to 1,212.72.

While the Nikkei 225 managed to keep the 18,000 level, traders said investors were reluctant to commit funds due to profit-taking by domestic institutional investors.

Daiwa Bank lost Y9 to Y730 after a rally in the morning session on continued buying on reports of the possible merger with Sumitomo Bank. The latter, which had been sold due to speculation that the merger ratio would be around 0.6, ended Y50 better at Y1,770. Nomura Securities, a leading stakeholder in Daiwa which had been reported to be unwilling to offer financial aid to the bank if it merged with Sumitomo, held at Y1,830.

Speculators targeted Takara Shuzo, the shochu maker. The stock jumped Y53 to Y1,060 on active buying, while speculative issues also gained ground. Pacific Metals rose Y46 to Y696 and Tatso Y98 to Y788.

Mitsui Shipbuilding was the most active issue of the day, advancing Y32 to Y272. The shares were supported by individual investors encouraged by prospects of the company returning to the black this business year. The stock is also

regarded as a laggard in the shipbuilding sector. In Osaka, the OSE average slipped 71.26 to 19,566.55 in volume of 55.5m shares. Nintendo, the video game maker, moved ahead Y150 to Y3,350.

Roundup

TAIPEI retreated after the central bank announced a lower than expected cut in banks' reserve requirements. The bank lowered reserve requirements by between 0.25 and 0.5 percentage points.

The weighted index closed 37.40 weaker at 4,825.19. Turnover was T\$23.6m, after Monday's T\$15.5m.

Electronics shares fell on profit-taking after five sessions of gains, with Acer losing T\$1 at T\$65. Heavily weighted financials were also hit by profit-taking, the sector having risen recently because of anticipation for a looser policy.

SEOUL remained unmoved by the investigation into former president Roh Tae-woo's slush fund scandal. The composite index declined 5.06 to 987.72.

After the market had closed, state prosecutors said they would call in the heads of the country's top five business groups today.

Weak investor sentiment was reflected in thin trading, with only 23.3m shares dealt, against the daily average of some 30m.

Shares in both Woosung Tire and Woosung Construction went limit down on concern that the fund scandal had delayed the tyre company's takeover deal. Woosung Tire dropped W\$700 to W\$1,600 and Woosung Construction W\$290 to W\$6,190.

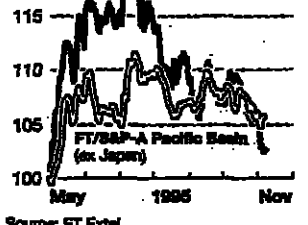
SYDNEY rose in subdued trade, the All Ordinaries index finishing 3.00 up at 2,109.80. Turnover was A\$266m in volume of 126.5m shares.

Banks posted the biggest gains, the sector index climbing 15.6 to 3,114.80. Bank of Melbourne rose 20 cents to A\$7.50, spurred by takeover speculation.

BANGKOK, at a six-month closing low on Monday, was helped higher by late buying of Bangkok Bank, B2 firmer at

Thailand

Shares price and index rebounded



Source: FT Data

B206, the SET index put on 2.33 at 1,341.24 in thin turnover of B\$2bn.

The finance minister said yesterday that the equity market should recover in the first

quarter of 1996 when foreign currency markets were likely to be more stable.

He said his optimism was also based on an expectation that recent market support measures would produce results in the next few months.

KUALA LUMPUR slipped back and the composite index ended down 8.70 to 918.53. Dealers said the index could be heading for a key support level of 900 points now that the 920 support level had been broken.

Landmarks retreated 28 cents to M\$3.30 on volume of 8.5m shares after a major shareholder denied rumours that he was selling his stake.

MANILA improved on technical buying but the overall mood remained negative. The composite index moved up 9.52 to 2,468.87, rebounding from a session's low of 2,431.71. Turn-

over was moderate with 2.8m shares worth 1.1bn pesos changing hands.

SINGAPORE saw gains in some speculative second-liners offset by blue chip losses. The Straits Times Industrial index receded 6.21 to 2,089.60 in turnover of S\$206.4m.

Brokers said Sembawang breached another new low, closing 15 cents cheaper at S\$4.35 as foreign investors switched to Jurong Shipyard, unchanged at S\$9.80. They said Sembawang was least likely to benefit from a shipyard recovery widely anticipated in mid-1996 in light of its underperforming core divisions.

HONG KONG finished virtually unchanged in dull trading conditions. The Hang Seng index softened 3.69 to 9,732.41 in turnover of HK\$2.4bn, after Mon-

day's HK\$3.2bn. The index of listed mainland Chinese companies remained weak on gloomy earnings prospects, off 2.12 to 790.92, after Monday's 5 per cent decline.

SHANGHAI'S B index fell sharply as Shanghai Diesel Engine encountered fresh selling. The index surrendered 2 per cent to 62.719, the lowest close since May.

Diesel Engine shed another 8 per cent to 36 cents.

WELLINGTON fell back as Telecom lost 3 cents to NZ\$6.45 following Monday's strong performance. The NZSE-40 Capital index dipped 6.80 to 2,184.64 in turnover of NZ\$33m.

Carter Holt Harvey gave up 3 cents to NZ\$3.55, with news that International Paper was merging with Federal Paper seen as possibly delaying a full takeover of CHH.

Brazil unsettled by plan to launch investment tax

Sao Paulo and Rio de Janeiro suspended trading for a short period in protest at government plans to tax earnings on equities by foreign investors, *writes Jonathan Wheusley in Sao Paulo.*

The Bovespa exchange authorities said the proposal to tax earnings on investments held for under 180 days at 5 per cent in 1996, rising to 15 per cent in 1998, would drive foreign investors away.

The government argued that foreign and domestic capital must receive the same treatment, and that earnings by foreigners must be taxed at the same rate. Congress was expected to vote on the proposal in the next few days.

At midsession the Bovespa index was showing a decline of 528 or 1.3 per cent at 40,415.

Mr Alvaro Augusto Vidigal, president of Bovespa, said the tax would raise less than half the \$400m a year predicted by the government, at the cost of draining liquidity from Brazil's markets. "The only other significant market in the world which taxes equity earnings is Chile, and 17 of the biggest Chilean companies are traded in bigger volume in New York than in Santiago," he said.

MEXICO CITY was slightly weaker as the peso came under renewed pressure on the currency markets. At midsession the IPC index was down 14.14 to 2,261.16.

Buenos Aires was little changed by noon, with the Merval index off 3.83 at 397.35. Investors were watching the performance of ADRs on Wall Street.

S African industrials at record